AUDIT AND APPROPRIATION REPORT

ON

THE ACCOUNTS

OF

THE GOVERNMENT OF INDIA

FOR

1917-18

BY

M. F. GAUNTLETT,

COMPTROLLER AND AUDITOR-GENERAL



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[Throughout the report any figure with the rupee sign before it represents the actual number of rupees. Otherwise the amounts shown represent thousands of rupees; thus, 10,64 reads as ten lakhs and sixty-four thousands of rupees.]

PROVINCIAL FINANCE.

Provincial Settlements

No change was made during the year in the terms of the existing Provincial Settlements, excepting that the head '33—Famine Relief' has, with effect from the 1st April 1917, been converted into a divided head shared between Imperial and Provincial in the proportion of three-fourths and one-fourth, subject to the condition that, if the provincial share of expenditure resulting from a widespread and prolonged famine should reduce the Provincial balance below one-half the prescribed minimum, the treatment of
As
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from Imperial Revenues have been discontinued.

Provincial balances.

2. The following statement shows the Revenue, Expenditure and Balances of Provincial Governments. The closing balances in all the Provinces were largely in excess of the prescribed minima.

Province.	Opening Balance on 1st April 1917.	Revenue during 1917-18.	Expenditure during 1917-18.	Surplus + Deficit −	Closing balance on 31st March 1918.	Prescribed minimum.
Madras	1,52,38	8,34,30	7,85,60	+48,70	2,01,08	20,00
Bombay	2,71,28	8,87,21	7,66,53	+1,20,68	3,91,96	20,00
Bengal	3,39,64	6,86,68	6,58,67	+28,01	3,67,65	20,00
United Provinces of Agra and Oudh	1,92,44	7,30,62	6,77,82	+52,80	2,45,24	20,00
Punjab	1,22,75	5,50,30	4,78,53	+71,77	1,94,52	10,00
Burma	1,17,80	5,55,59	5,78,27	−22,68	95,12	12,00
Bihar and Orissa	1,48,01	3,23,16	3,30,11	- 6,95	1,41,06	12,00
Central Provinces	1,26,35	3,11,51	3,01,09	+10,42	1,36,77	10,00
Assam	21,20	1,49,40	1,43,29	+6,11	27,31	10,00
Total	14,91,85	50,28,77	47,19,91	+3,08,86	18,00,71	1,34,00

EXPENDITURE UNDER OBJECTION.

Civil Department.

ercentage of bjections to tal expendi-

3. The following statement shows the gross amount of objections raised in each Province during the year under review, the net amount of objections representing substantial infringements of financial rules, the amount of expenditure audited, and the percentage which the net objections bear to the total expenditure.

1	2	3				4	5	6	7
		DEDUCT							
Province.	Total amount placed under objection.	Amount relating to Debt Heads, including Suspense.	Amount relating to receipts credited to Service Heads.	Amount placed under objection for want of D. C. bills.	Total Deductions.	Net expenditure placed under objection which represents substantial deviation from rules.	Total expenditure debited to Service Heads audited during the year.	Percentage of objections (col. 4) to expenditure (col. 5).	Similar percentage for 1916-17.
India	53,25	20,64	18	9,67	30,49	22,76	9,14,42	2·5	1·7
North-West Frontier Province	14,50	2,57	...	9,91	12,48	2,02	1,11,81	1·8	1·9
Madras	51,73	9,09	...	18,08	27,17	24,56	7,67,06	3·2	4·1
Bombay	97,11	61,71	...	25,42	87,13	9,98	9,80,84	1·0	1·3
Bengal	56,12	2,66	...	29,24	31,90	24,22	6,62,42	3·7	3·6
United Provinces	42,02	1,69	16	19,99	21,84	20,18	7,91,82	2·5	4·2
Punjab	47,89	12,63	15	19,42	32,20	15,69	3,59,57	4·4	2·9
Burma	66,60	4,82	18,01	12,43	35,26	31,34	5,53,42	5·7	4·5
Bihar and Orissa	32,17	2,84	...	16,28	19,12	13,05	2,81,75	4·6	3·3
Central Provinces	13,30	4,46	10	4,69	9,25	4,05	2,81,48	1·4	1·4
Assam	16,72	2,50	...	9,89	12,39	4,33	1,24,98	3·5	4·5
Total	4,91,41	1,25,61	18,60	1,75,02	3,19,23	1,72,18	58,29,57	3·0	3·0

Comparison ith 1916-17.

Taking all the provinces together, the percentage was the same as that for the preceding year. There were, however, noticeable increases in India, the Punjab, Burma and Bihar and Orissa. In India, the increase was due to heavy objections for want of payees' receipts in support of charges incurred in the Mathematical Instrument Office for the purchase of stores, and to the exclusion from the total audited expenditure of the interest charges, which after audit by other provinces are passed on to India for adjustment under "13—Interest." The latter expenditure had hitherto been included in the total audited expenditure in calculating the percentage; but as it does not represent 'audited expenditure' so far as 'India' is concerned, it has been correctly excluded. In the Punjab, the increase was due chiefly to expenditure (1,33) incurred on Irrigation plantations in the Forest Department without the sanction of the Local Government which has since been received, and on a grain godown (93) opened in the Bashahr Forest Department for the benefit of workmen, to the non-receipt of sub-vouchers for 1,35 on account of value of stamps supplied to the Jammu and Srinagar treasuries by the Superintendent of Stamps, Karachi, and to a sum of 49 drawn in advance and deposited with the Manager, Bashahr State, without Government sanction (the amount has since been recovered from the party concerned). In Burma, the increase was due to bills amounting to 2,24 on account of the Chin Hills and Marine operations having been placed under objection, and to the introduction of the system of 'audited contingencies' in place of detailed countersigned contingencies with effect from the 1st April 1917 in the Civil and Military Police, Jail, Medical and Education Departments. In Bihar and Orissa, the increase was chiefly due to heavy objections in some districts owing to want of details, sub-vouchers and disbursement certificates.

On the other hand, there were substantial improvements in the United Provinces and Assam. In the United Provinces, the improvement was due to relatively fewer objections being raised in connection with the Pike Scheme, referred to in paragraph 3 of the last report. In Assam, the improvement was due to greater care taken by the Audit Office in placing amounts under

objection and also by the disbursing officers in the observance of financial rules. In Madras, the improvement was more apparent than real, as it was due ... to Port Funds, etc., and Land Acquisi- ... Remittances, which have hitherto not ... re placed under objection in calculating the percentage owing to a misapprehension, have been deducted from the total expenditure in the year under review.

Analysis of Outstanding Objections.

... raised up to the 31st ... 1918, are given in the ... gures for the preceding year are also shown for purposes of comparison. **Balances of objections on 31st July 1918.**

Province.	Suspense		Items awaiting clearance		Service payments for recovery.	Total.	Total on 31st July 1917.	Increase + Decrease —
	Dr.	Cr.	For want of D. C bills	For other reasons.				
India	31	8	34	3,47	18	4,38	4,16	+22
North-West Frontier Province	...	...	1	18	...	19	12	+7
Madras	...	..	2	71	2	75	19	+56
Bombay	2	...	24	1,30	7	1,63	53	+1,10
Bengal	...	...	19	1,25	14	1,58	1,43	+15
United Provinces of Agra and Oudh	...	1	13	1,19	4	1,37	17,20	—15,83
Punjab	..	1	4	2,09	2	2,16	96	+1,20
Burma	1	3	4	1,82	3	1,93	1,14	+79
Bihar and Orissa	15	3	31	35	1	85	2,08	—1,23
Central Provinces	...	...	3	15	2	20	40	—20
Assam	...	...	2,07	21	2	2,30	80	+1,50
Total	40	16	3,42	12,72	65	17,31	29,01	—11,67

5. As compared with the preceding year, there was an improvement of 11,67 ir ... India. The improvement occurred mainly ... was due chiefly to the settlement of all ... ne referred to in paragraph 5 of my las ... able improvement in Bihar and Orissa, ... taken towards the settlement of outstandings. **Comparison with 1916-17.**

On the other hand, there were noticeable increases in Madras, Bombay, the Punjab, Burma and Assam. The increase in Madras was due mainly to the incurrence, without sanction of competent authority, of expenditure on works in the Forest Department and of translation and printing charges of the High Court. Nearly the whole of the former has since been adjusted. The increase in Bombay was to a great extent due to (*a*) more expenditure having been incurred without sanction on establishments at Kamaran, than in the preceding year, (*b*) delay in recei ... (*c*) expendi- ture amounting to 21 ... excess of the Budget grant, ... te-back by the Marine, Military, etc., Departments. Items (*c*) and (*d*) ... since been adjusted. The increase in the Punjab was due to the expenditure incurred on Irrigation plantations mentioned in paragraph 3 above. The increase in Burma was due mainly to (*a*) an expenditure of 31 incurred on ... connection with clothing and supplies to m ... the Chin Hills Operations, ... of detailed accounts in conn... on account of the pay of military policemen in excess of the sanction... The increase in Assam was due mainly to unadjusted advances in connection with the raising of various Labour Corps. The bulk of the outstandings has since been adjusted.

Classification of outstandings according to years.

6. The following statement shows the outstandings according to the years to which they relate. The corresponding figures for the preceding year are also given :—

—		Relating to 1915-16 and previous years.		Relating to 1916-17.		Relating to 1917-18.		TOTAL.	
		No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
India	31st July 1917	23	31	947	3,85	...	...	970	4,16
	" **1918**	**6**	**19**	**30**	**12**	**862**	**4,07**	**904**	**4,38**
North-West Frontier Province	" 1917	...	...	79	12	...	...	79	12
	" **1918**	...	...	...	...	**70**	**19**	**70**	**19**
Madras	" 1917	2	1	315	18	...	...	317	19
	" **1918**	...	...	**1**	(a)	**411**	**75**	**412**	**75**
Bombay	" 1917	3	(a)	210	53	..	...	213	53
	" **1918**	..	...	**2**	(a)	**297**	**1,63**	**299**	**1,63**
Bengal	" 1917	4	1	452	1,42	..	...	456	1,43
	" **1918**	**1**	(a)	**1**	(a)	**551**	**1,58**	**553**	**1,58**
United Provinces	" 1917	90	1,71	1,501	15,49	...	...	1,591	17,20
	" **1918**	...	...	...	...	**661**	**1,37**	**661**	**1,37**
Punjab	" 1917	4	1	546	95	...	...	550	96
	" **1918**	**1**	(a)	**21**	**20**	**767**	**1,96**	**789**	**2,16**
Burma	" 1917	1	2	600	1,12	...	...	601	1,14
	" **1918**	...	...	**2**	**2**	**751**	**1,91**	**753**	**1,93**
Bihar and Orissa	" 1917	2	1,13	284	95	..	...	286	2,08
	" **1918**	**1**	(a)	**3**	**3**	**331**	**82**	**335**	**85**
Central Provinces	" 1917	47	15	339	25	...	...	386	40
	" **1918**	...	...	...	...	**345**	**20**	**345**	**20**
Assam	" 1917	8	2	40	78	...	...	478	80
	" **1918**	...	...	**2**	(a)	**218**	**2,30**	**220**	**2,30**
Total	" 1917	184	3,37	5,743	25,64	...	..	5,927	29,01
	" **1918**	**9**	**19**	**68**	**37**	**5,261**	**16,78**	**5,341**	**17,34**

(a) Amount less than one thousand.

The figure for the year under review is better, as compared with that for the preceding year, both in respect of the outstanding amount (16,78 as against 25,64) and in respect of the number of items which make up the amount (5,264 as against 5,743). The figure relating to previous years is also better as compared with that for 1916-17, both in respect of the amount outstanding (56 as against 3,37) and in respect of the number of items which make up the amount (77 as against 184).

Analysis of outstandings relating to 1915-16 and previous years.

7. Out of the 184 items relating to 1915-16 and previous years remaining unadjusted on the 31st July 1917, 175 were adjusted during the year under review. Of the balance of 9, outstanding on the 31st July 1918, 1 pertains to the year 1913-14, 1 to 1914-15 and 7 to 1915-16. The following statement shows the amounts of these outstandings and the provinces to which they relate :—

Year.	Province.	No. of items.	Amount in Rupees.
1913-14	Bengal	1	94
1914-15	India	1	17,384
1915-16	India	5	1,389
	Punjab	1	58
	Bihar and Orissa	1	20
	Total	9	18,945

The amount outstanding in Bengal is, as stated in the last report, in course of recovery by monthly instalments from a pensioner.

In India, the item for 1914-15 represents, as stated in the last report, part of the closing balance of the Baghdad Treasury which was handed over by the Political Resident to the United States Consul; it has since been adjusted. Out of the five items relating to 1915-16, which represent expenditure incurred without sanction of Government, 4 relate to cost of clothing and liveries and 1 to an excess payment made by the Consul at Tabriz. Four of these have since been adjusted and the remaining one, amounting to Rs. 1,009, is under reference to Government.

The items in the Punjab and Bihar and Orissa represent amounts overdrawn by pensioners and are being recovered by monthly instalments.

Analysis of outstandings relating to 1916-17.

8. The total outstandings for 1916-17 were reduced from 25,64 on the 31st July 1917 to 37 on the corresponding date in 1918. In other words, 98·6 per cent. of the objections for 1916-17, outstanding on the 31st July 1917, were cleared during the period under review. The balance is made up of 68 items, distributed amongst the Provinces as follows:—

Province.	No. of items.	Amount.
India	36	12
Madras	1	(a)
Bombay	2	(a)
Bengal	1	(a)
Punjab	21	20
Burma	2	2
Bihar and Orissa	3	3
Assam	2	(a)
TOTAL	68	37

(a) Amount less than one thousand

9. Of these items the more important are given below:—

[illegible]

to the members of the Mekran Levy Corps on account of furlough allowances which have not been calculated in accordance with the Civil Service Regulations.

Punjab.—The chief item (Rs. 18,801) represents a portion of the expenditure incurred without sanction of the Local Government on Irrigation plantations, referred to in paragraph 3 above; it has since been adjusted.

Burma.—The items represent part of the amount defalcated in the office of the Chief Court, Lower Burma, and have since been adjusted.

[illegible] the amounts drawn [illegible] forged signature of [illegible]

Analysis of outstandings relating to 1917-18.

10. The objections for 1917-18, outstanding on the 31st July 1918, amounted to 16,78, and may be classified as follows:—

Want of sanction	5,17
Want of detailed countersigned bills	3,39
Want of sub-vouchers	2,54
Service payments for recovery	50
Other objections	5,18
TOTAL	16,78

The corresponding balance for 1916-17, outstanding on the 31st July 1917, was 25,64. The reasons for the improvement have been given in paragraph 5 above.

Under 'Want of sanction' the figures were highest in the Punjab (1,43) owing mainly to expenditure incurred on Irrigation plantations mentioned in paragraph 3 above. The outstandings in India, Madras, Bombay and Burma were 1,17, 48, 95 and 63, respectively. The heavy outstandings in India occurred chiefly in the Persian Gulf Consulate accounts on account of excesses over contract or fixed grants, and establishments and special contingent charges incurred without proper sanction. In Madras, the outstandings relate to the translation and printing charges of the High Court (23) and to the expenditure in the Forest Department (22) mentioned in paragraph 5 above. In Bombay, the outstandings were due mainly to expenditure on boat stores and repairs in excess of Budget grant (21) and on the establishments at Kamaran Island (67), *vide* paragraph 5 above. The outstandings in Burma which have since been adjusted included (*a*) 19, on account of the amount drawn in excess over sanctioned scale of the Military Police, (*b*) 11 on account of stores purchased by Forest officers, and (*c*) 10 on account of cost of repairs to steam launches.

Under 'Want of detailed countersigned bills' the figure was highest in Assam (2,07) owing chiefly to advances drawn in connection with the raising of Labour Corps (1,44) and in connection with the Kuki operations (50).

Under 'Want of sub-vouchers' the figures were highest in India (64) and Bengal (59). The outstandings in India occurred mainly in the Persian Gulf Consulate accounts, while those in Bengal included expenditure in connection with the residence of students at Dacca, petty construction charges of a farm at that station, and payments in March 1918 of 10 per cent. commission to *mandals* in Darjeeling.

Under 'Other objections' the figures were highest in India (1,75) and included (*a*) 36 on account of advances made in connection with the move of the headquarters of the Government of India, (*b*) 16 on account of excise compensation paid to a Durbar, (*c*) 14 on account of advances for the purchase of salt under the scheme for cheap supply of salt and (*d*) 13 on account of payment to an officer of the amount at his credit in the Forest Officers' Provident Fund pending receipt of a stamped receipt. All these outstandings have since been cleared. The outstandings in Bengal (46) included 11 on account of excess over contract contingent grants awaiting final orders of Government. The outstandings in the United Provinces (79) included 66 drawn in March 1918 by a Forest officer as compensation for land referred to in paragraph 11 (*d*) below. The outstandings in Burma (92) included (*a*) 31 on account of clothing for the Chin Hills Column Operations, (*b*) 25 on account of mule hire for the same operations pending submission of detailed accounts (since adjusted), and (*c*) 15 awaiting adjustment by the Public Works Department and write-back by the Public Works and Military Departments.

Financial Irregularities.

Drawal of money in advance of requirements with a view to avoiding lapses of Budget grants.

11. Several cases came to light in which money was drawn in advance of requirements with a view to avoid lapses of Budget grants. It is, however, satisfactory to note that this irregularity was committed less frequently than in previous years. There was a notable reduction in Madras, while only one case of the irregularity came to notice in each of the Bombay and Bengal Presidencies. A few cases are detailed below. Other cases will be found in the appendix.

Madras.

(*a*) (*i*) An officer drew a sum of Rs. 8,671-9-3 on the 21st March 1918 on an abstract contingent bill. A detailed countersigned bill was furnished on the 1st June 1918 with necessary vouchers (excepting one for Rs. 166-8-0 which was furnished on the 22nd June 1918), and Rs. 260-6-0 representing the unspent balance was refunded into the treasury in two instalments on 18th May and 13th June 1918. The vouchers referred to above were dated the 9th April, 30th April, 8th May and 12th June 1918, respectively.

(*ii*) The same officer drew another sum of Rs. 343-12-10 on the 25th March 1918 on an abstract contingent bill. No countersigned detailed bill was received till the 24th October 1918, although the controlling authority was twice addressed in the interval. On receipt of the bill it was found that Rs. 120-12-0 only was accounted for, and that the balance of Rs. 223-0-10 had been refunded into the treasury on the 21st September 1918, *i.e.*, after a lapse of nearly six months.

Both the cases mentioned above were brought to the notice of the Local Government who drew the attention of the officer concerned specially to the irregularity and also directed that a copy of its proceedings condemning the practice of drawing money from the treasury before actual requirement should be circulated to all Heads of Departments for guidance.

(*b*) The Principal of a Government College drew Rs. 373-1-8 on the 30th March 1916, on a contingent bill. This amount included a sum of Rs. 55 which remained undisbursed in the College safe till stolen in May 1917. The Local Government ordered the recovery of the amount from the Principal.

Bengal.

(*c*) A sum of Rs. 70 was drawn on a contingent bill by a Collector from the treasury on the 28th March 1918 on account of travelling allowance of a Tahsildar and some petty repair works. The Collector was repeatedly asked to furnish details and sub-vouchers for the amount and to explain why travelling allowance was drawn on a contingent bill, but not until September 1918 did he reply that the amount had not been required for actual disbursement but had been drawn simply to prevent the lapse of budget grant and that the money was refunded on the 17th June 1918. The matter has been reported to the Local Government.

United Provinces.

(*d*) A sum of Rs. 66,455 on account of compensation for land was charged in a Forest Divisional account for March 1918, and paid to the Collector in charge of the Land Acquisition work. The Audit Office called for an award statement and payees' receipts, and it was ascertained in August 1918, that compensation statements were being prepared, that the award would be made and the money distributed in three months' time, and that the money was being kept in Revenue Deposit. The Local Government wished it to be impressed on the Forest officer that in such cases he is not to draw any money at all, as the matter lies in the hands of the Collector and that the sole duty of the Forest Department is to see that the necessary provision is made in the Budget.

Central Provinces.

(*e*) A sum of Rs. 9,999-12-6 was drawn by an officer in March 1918, on four abstract contingent bills against a grant of Rs 10,000 sanctioned in January [illegible] the detailed contingent bill [illegible] 1918, when it was found [illegible] made towards the end of April, and in May and June 1918. The Local Administration considered that while the officer concerned was right in delaying payments for the various articles till he was satisfied that they were of the quality charged for, he was equally wrong in disregarding the clear orders on the subject and drawing money from the treasury before he was ready to pay it out. They also conveyed to the officer responsible an expression of displeasure at his action in the matter, and wished it to be clearly understood that a breach of the rule, to which attention has so repeatedly been called, will not be passed over lightly in future.

Frauds and defalcations occasioned by negligence.

12. Several cases of fraud came to notice during the year under review. The investigation generally showed that losses were not due to any defects in the existing rules. In a few cases in which defects in the existing practice were found to have facilitated the frauds, necessary steps were taken to remove such defects. The Burma Government issued orders regarding the furnishing of security by Forest officers as a safeguard against defalcations. Details of a few cases are given below; those for which treasury officers were responsible being shown separately :—

Treasury Officers.

Baluchistan.

(*a*) In January 1917, a military cheque for Rs. 600 was presented at a treasury by a person other than the payee and was paid on a forged signature.

The treasury officials failed to identify the payee, but no disciplinary action against them was insisted on, as the rarity of such frauds did not warrant the introduction of the elaborate system of identification of each person paying cheques which, in view of the large number of military cheques presented daily at the treasury, would be necessary to give absolute protection.

N.-W. F. Province. (b) On the transfer of charge of a sub-treasury a shortage of Rs. 10,000 was discovered. The loss was made good by the treasurer. On investigation it appeared that the money had been temporarily mis-appropriated and lent to the militia choudhri on interest. The sub-treasurer was sentenced to three months' simple imprisonment with a fine of Rs. 500 or six months' rigorous imprisonment in default. The responsibility of the Naib-Tahsildar in charge of the sub-treasury has been referred to a 'Council of Elders' under the Frontier Crimes Regulations. The mis-appropriation was caused by the disregard of existing rules and lack of supervision by the sub-treasury officer.

Bombay. (c) A bill purporting to be an original pay bill of the establishment of a Superintendent of Land Records for September 1917 for Rs. 430 was preferred over the forged signature of the Superintendent and cashed at the treasury in November 1917. As, however, the salaries of the establishment in question had already been drawn, the Audit Office, on receipt of the voucher, asked the Superintendent to quote the Government orders sanctioning the establishment. The Superintendent replied that he could not trace the voucher for Rs. 430. This aroused suspicion and the matter was reported for investigation.

Two more bills for Rs. 1,350 and Rs. 1,360 purporting to be supplementary pay bills for October and November 1917, respectively, of the establishment of the Superintendent of a Reformatory School were preferred over the forged signature of the Superintendent, and paid from the same treasury in January 1918. As the bills were for larger amounts than the sanctioned scale, and as the signature of the Superintendent was clearly forged, the matter was reported for investigation.

On investigation by the Criminal Investigation Department it was ascertained that the perpetrator of these forgeries was one and the same person He was convicted and sentenced to 3 years' rigorous imprisonment.

Out of the total amount of Rs. 3,140 thus embezzled, Rs. 2,551 was recovered, and the Local Government ordered that Rs. 191-11-10 should be made good by the treasury officials concerned, and that the balance should be written off. Two of the treasury officials were also reduced one grade each by the Local Government.

In this connection the Audit Office has called the attention of all Treasury Officers to the necessity for the strict observance of article 309, Civil Account Code, and for the proper maintenance of the registers of facsimiles of disbursing officers' signatures. The Local Government has also issued orders, at the request of the Audit Office, inviting the attention of all officers who draw bills at a treasury to article 19, Civil Account Code, and directing that a specimen signature of the relieving officer should be furnished to the treasury whenever a new officer takes over charge.

Other Officers.
Madras. (d) Owing to a change of hands in a taluk-office, certain discrepancies were noticed between the statements relating to the demands made, the recoveries effected and the outstanding balances to be recovered. On an examination an abkari clerk was found to have been systematically committing fraud in respect of abkari revenue during the five years 1912-13 to 1916-17. The abkari renters entrusted the clerk with money which they had to credit into the treasury and Government collections were thus intercepted by him. For the purpose of concealing his frauds, he adopted the following devices.

(1) Fraudulent reduction of demand;

(2) Fraudulent raising of collections;

(3) Fraudulent adjustments; and

(4) Granting receipts for amounts not credited into the sub-treasury.

On investigation it appeared that the defalcation was not due to any defects in the existing rules regarding the maintenance of abkari accounts,

but was chiefly due to the failure to maintain the registers properly. The total amount defalcate was Rs. 10,879-12-0, out of which Rs 8,816-2-0 has been recovered fr m renters up to date and further recoveries of Rs 594-2-0 are reported to have been ordered. The clerk was tried and found guilty, and was sentenced to 5 years' rigorous imprisonment and a fine of Rs. 1,000. His properties are to be attached and sold. The Huzur Sheristadar and the English Head Clerk were censured by the Board of Revenue, and the Taluk Head Accountant was dismissed from the service. The balance of the loss sustained by Government will probably be recovered from the sale-proceeds of the attached properties of the clerk or from the officials responsible for the defalcation. The Board have directed the issue of a circular to all Collectors so as to ensure that such irregularities in the maintenance and scrutiny of accounts may be avoided or rectified where they now exist.

(*e*) (*i*) A contingent bill for Rs. 800, purporting to be signed by a certain officer, was paid by cheque at the pre-audit counter of the Audit Office. The cheque was duly cashed at the Bank on the receipt of a man who purported to be the messenger of the officer. The Audit Office had to issue several reminders and a special letter for the payee's receipt before the officer visited the Audit Office, examined the bill and declared that it had not been prepared in his office and that the signatures thereon were forgeries. The Bank denied liability and their plea was upheld by the legal authority consulted. The matter was placed in the hands of the police, and the culprit, who was a peon in the office concerned, was prosecuted, tried and sentenced to undergo rigorous imprisonment for 18 months and to pay a fine of [illegible] imprisonment for 6 months. [illegible] nclusion that they should [illegible] responsible for passing the bill in the Audit Office. With the approval of the Government of India in the Finance Department, I ordered that the Auditor, the Superintendent and the Gazetted Officer, who failed to detect the [illegible] amount equal to one quarter of a month's [illegible] in three equal instalments. I have also [illegible] in future the Gazetted Officers concerned [illegible] bills in all cases with the specimen signature of the drawing officer before passing orders for payment.

[illegible] by the same officer, being [illegible] purporting to have been [illegible] udit counter of the Audit Office and paid in cash. The payment was included in the statement of receipts and charges sent to the countersigning officer, who reported that the entries concerning this bill related, according to the details in his register, to a different school in a different district. On examination of the voucher the name of the school at the top of the bill showed signs of erasure though the name as entered at the foot of the bill was as stated by the officer. Thus it was evident that the bill, when countersigned, bore an order for payment at the correct station, and that some person, into whose hands the bill happened to fall, embezzled the amount due thereon by changing the name of the school at the top of it. The main responsibility for the fraud rested with the office of the controlling officer where proper care was not taken of bills signed and countersigned. Besides, the practice in that office of sending by post countersigned bills to payees for encashment at any treasury according to convenience, contributed materially to the perpetration of this fraud. Necessary steps to change the defective system have been taken. The erasure on the bill was not detected in the Audit Office. The persons responsible for this failure were the same Auditor and Superintendent as in the above case. This case was referred to the Government of India in the Finance Department with the previous case, and the disciplinary action covered both.

(*f*) (*i*) A local audit of the accounts of a Civil Surgeon's office, undertaken [illegible] of the Local Government, disclosed that a sum of Rs 1,721-5-0 [illegible] lerk of the office by not disbursing to payees the [illegible] rom the treasury on account of their travelling Board.

allowance, leave allowance and grain compensation allowance, and by misappropriating contributions to dispensaries received by postal money order and in cash and sale-proceeds of quinine packets. The embezzlement was facilitated by laxity of supervision on the part of the Civil Surgeon who exercised no check over the accounts of money passing through the hands of the head clerk. The head clerk was prosecuted and sentenced to 6 months' rigorous imprisonment. The whole amount was recovered from him. The Local Government warned the Civil Surgeon as a mark of their dissatisfaction.

(*ii*) A defalcation of a sum of Rs. 1,015-3-6 was effected by a Kanungoe by fabricating travelling allowance bills in the names of land acquisition clerks, surveyors, chainmen and messengers. In passing the bills, the Collector, who was the drawing and controlling officer, exercised no check as to the facts of the journeys on which the claims were based, and omitted to see that the amounts of the bills, when cashed, were actually disbursed. The defalcation was detected in his office and the Kanungoe was prosecuted and sentenced to undergo 6 months' rigorous imprisonment. The whole amount of defalcation was made good by the father of the accused. The Local Government expressed their dissatisfaction with the laxity of procedure followed by the Collector and directed that he should be more careful in future.

In these two cases the adequacy of the disciplinary action seems to need further consideration.

Burma.

(*g*) A sum of Rs. 1,272-8-0 was embezzled by a bailiff who was arrested, convicted and sentenced to 2 years' rigorous imprisonment, and a sum of Rs. 766-3-3 was recovered from his available assets. The embezzlement was rendered possible owing to the lack of supervision on the part of the Township Judge and the failure to exercise the checks required by the Court rules. The Local Government decided that each of the two officers through whose carelessness the loss was rendered possible should make good Rs. 60-0-0. The balance was written off.

(*h*) A total sum of Rs. 6,345-14-6 was defalcated by the accountant of a court. This amount consisted partly of fees and miscellaneous receipts creditable to Government and partly of sums recovered from judgment debtors payable to creditors and salaries and allowances drawn from the treasury for disbursement to the officers concerned. Out of it Rs. 445-4-0 was accounted for and a sum of Rs. 435 was recovered from the accountant's surety. The accountant was prosecuted and sentenced to 18 months' rigorous imprisonment. The defalcation was rendered possible by general laxity of supervision and by the accountant having been allowed to keep in his hands unnecessarily large sums of money. The Local Government to whom the case was reported came to the conclusion that the loss was due to neglect of duty and carelessness on the part of the officers of the court whose duty it was to check daily the work of the accountant, and ordered the recovery of Rs. 500 from the principal supervising officer and Rs. 100 and Rs. 50 from two of his assistants. The balance of Rs. 5,315-10-6 was written off.

Bihar and Orissa.

(*i*) The acting head clerk of a Forest division complained that a theft of Rs. 745-7-0 and some other things had been committed, but a police investigation shewed that the safe had not been tampered with. An enquiry into the accounts elicited the fact that two defalcations of Rs. 300 and Rs. 910-4-6 had been committed, as shown below.

(i) A Deputy Ranger sent a requisition for a sum of Rs. 300 as advance for current expenses, enclosing a signed voucher with the requisition, but was told by telegram that he might transfer the amount from revenue. The receipted voucher was not returned, and was used to cloak the misappropriation of Rs. 300, by shewing a false debit in the cash book against forest advances. When the range accounts were received in the head office, the revenue collections were entered in the cash book less by Rs. 300. The clerk was committed to the Sessions, and, in the course of the trial, the judge came to the decision that the so-called theft of Rs. 745-7-0 had also been committed by him.

(ii) Out of the revenue collected by range officers during 1917, certain amounts were spent by them locally, for which they submitted advance vouchers, for adjustment by transfer credit. One of these vouchers for

910-4-6 was singled out by the defalcator, who got a cheque passed by the isional Forest Officer short by that amount and presented it at the treasury credit by transfer. On the credit side of the accounts, the revenue collec-ns were shown as short by that amount, but on the payment side the ount appeared under forest advance. With a view to avoiding detection cross check of the short credit of revenue, certain unauthorised corrections ere made in the range returns.

The accused who was the same man in both the cases was convicted in each.

If the Divisional Forest Officer had checked the entries in the Divisional cash book with those in the range cash book and the revenue returns and verified them, the defalcations would at once have been detected. In the course of the trial, it also came to light that security deposits, which under the rule are recoverable by deduction from pay bills, were actually realised in *cash* and kept in hand for 2 months before being sent to the post office. This is a serious irregularity, and throws temptations in the way of clerks to commit frauds. The Divisional Forest Officer deposed that he never counted the cash balance, which is a dangerous infringement of the rule in sub-paragraph 13 of article 448 A., Civil Account Code, Volume I. No security deposit was taken from the clerk, although public money passed through his hands.

The Local Government ordered the recovery of a sum of Rs. 200 from the Divisional Forest Officer for the defalcation referred to in (i) above, and, on their recommendation, the Government of India directed that the officer be removed from Government service.

The total sum of Rs. 1,755-11-6 outstanding against the accused after recovery of Rs. 200 from the Divisional Forest Officer was written off with the sanction of the Local Government, as it was considered that the net recovery through a civil court after deducting the costs would not be worth the trouble.

Assam

(*j*) A total sum of Rs 1,712-3-3 was misappropriated between September 1916 and July 1917 by the clerk of a certain Agricultural Farm who showed as remitted to the treasury certain sums which were not actually remitted. The embezzlement was detected by a local Inspecting officer in February 1918, only after the clerk had died. It was committed by the use of forged duplicate chalans, which bore the seals of the treasury. The clerk obtained access to the treasury seal (which was not taken proper care of by the assistant accountant of the treasury) and made impressions on the duplicate chalans. He also forged the initials of the Treasurer and the Accountant. The fraud could not be detected by the departmental authorities as the Audit Office had never sent in respect of agricultural receipts to the Head of the Department the statement of receipts of the Department required by article 22, Civil Account Code. The Local Administration have now prescribed the submission by the Audit Office of a monthly statement of receipts and expenditure, and have ordered the write-off of the amount misappropriated as irrecoverable.

Irregul... of Gove... money.

13. Three instances came to notice during the year, in which advances received by officers for the purchase of motor cars were irregularly kept by them—in two cases after the car purchased had been sold, and in the third case although no car had been purchased at all.

Bengal

(*a*) An officer drew a motor car advance of Rs. 3,000 in February 1917, sold the car for Rs. 2,350 in April 1917 (after he had refunded to Government two instalments only at Rs 83-5-4 each), and invested Rs. 2,000 in the War Loan out of the sale-proceeds The case having been reported to the Local Government, it was held that the officer had been careless and had neglected orders and he was directed to pay the outstanding balance of the advance in monthly instalments equal to one-third of his salary.

(*b*) An officer obtained from Government in March 1915 a motor car advance of Rs. 3,600, purchased a car and mortgaged it to Government as usual. The car was sold by the officer in April 1916, when there was an outstanding of Rs 2,300 remaining to be recovered from him. He retained

the entire sale-proceeds but continued to pay to Government the prescribed instalment of Rs. 100. The matter was detected at the end of February 1918, when there was one instalment left.

The Local Government remarked that the officer should have realised that the sale-proceeds of his car should have been utilised in paying off at once the advance, and that the Governor in Council could not accept as satisfactory the explanation of the officer's failure to do so. They also issued stringent instructions to all officers drawing attention to the rules under which such advances are given and directing them to report to the Audit Office the number of the car or cycle and the amount and period for which it is insured.

Central Provinces.

(c) An advance of Rs. 2,700 was sanctioned to an officer of the Public Works Department for the purchase of a motor car and payment was authorised by the Audit Office on receipt of an intimation from the Superintending Engineer of the Circle, that the mortgage bond had been correctly executed by the officer and had been filed in his office. The advance was drawn by the officer, and six months after the Chief Engineer reported that the officer had not purchased a car and that he should be called upon to refund the advance. The Local Administration have expressed their strong disapproval of his conduct in failing to fulfil the conditions under which the advance was granted. They have also informed the Superintending Engineer that they disapproved of the negligence, which rendered the irregularity possible and that it should not be allowed to recur. The advance has been recovered.

Double claims preferred and paid.

14. Several cases of double claims preferred and paid came to light during the year under report, but generally speaking they revealed no defect of system. In a few cases in Madras the irregularity was due to the improper maintenance of the check register of bills drawn by the drawing officers concerned in the Education Department. One instance is given below. Others are given in the appendix.

Central Provinces.

(a) A double payment of a sum of Rs. 18,388 to a District Board was made on the last working day of March 1918, the amount due for the construction and maintenance of police buildings by a Divisional Local Fund Engineer having been paid both by the District Superintendent of Police and (erroneously) by the Deputy Commissioner of the district. The amount was refunded in due course, and the Local Administration have since issued orders revising the procedure for the drawal of grants payable to District Boards for the construction and maintenance of Public Works entrusted to Divisional Local Fund Engineers. With effect from 1st April 1919, the payment of all such grants will be controlled by the Divisional Commissioners instead of, as hitherto, by the Departments in occupation of the buildings concerned, and Deputy Commissioners in the case of roads. The officer who was Deputy Commissioner at the time of the overpayment, has since retired.

Insufficient scrutiny of bills by signing and countersigning officers.

15. The following cases are mentioned as, although the amounts involved were small, they shewed inadequate scrutiny of bills by the signing or the countersigning officer.

Bengal.

(i) A Superintendent of Police drew a conveyance allowance for two Sub-Inspectors, and furnished a certificate on the bill to the effect that the officers were not on leave of any kind. It was subsequently found that one of the Sub-Inspectors was actually on privilege leave and the other on long leave during the period for which the allowance was drawn. The amount was recovered from the Sub-Inspector on long leave. The Inspector General of Police reported that the officers at fault had been suitably dealt with.

(ii) The same officer drew a cycle allowance for a Sub-Inspector, furnishing a certificate to the effect that a cycle was maintained by the Sub-Inspector. In a supplementary bill, a further sum was drawn, and it was stated that the Sub-Inspector was actually entitled to a pony allowance for the period and that the cycle allowance was drawn in the first instance through an oversight. The Inspector General of Police issued instructions to Superintendents of Police to guard against similar irregularities in future.

The orders of Local Government are awaited in both cases.

16. The following were three rather bad instances of manipulation of accounts detected in the course of the year:— Manipulation of accounts.

(a) In a certain treasury, money was drawn under the orders of the Sub-Divisional officer from double locks whenever the balance of the permanent advance in the bailiff's hands was low, the balance under double locks being recouped when money was subsequently drawn from the treasury on presentation of contingent bills. On investigation, it was ascertained that this had long been the practice in the treasury. Thus the cash balance certificate submitted monthly to the Audit Office was often false. The practice has since been discontinued. The Local Government considered such unauthorised advances from the cash in double locks to be a serious offence, and ordered that any one found guilty in future would be severely dealt with. The Local Government have not commented on the more serious aspect of the case, *viz.*, the signature of a false certificate. *Burma.*

(b) A Sub-Treasury officer showed in the daily sheet a sum of Rs. 1,000, which was in excess of the prescribed maximum cash balance of the sub-treasury, as having been remitted to the headquarters treasury. The money, however, never left the sub-treasury and was brought on the accounts again as a remittance received from the headquarters treasury seven days after. The Local Government considered that there was no excuse whatever for such bogus remittances to conceal excess balances and issued a warning that those guilty of such entries would be severely dealt with in future.

(c) An excess payment of Rs. 100 by a Treasury Officer on a Forest cheque was detected in audit and recovered. The Accountant had passed the cheque for Rs. 250 instead of for Rs. 150, the amount originally entered in the Accountant's cash book, and the second Accountant on comparing the Accountant's and Treasurer's balai [illegible]
altered the figures in the Accounta
cheque. The Local Government
on the treasury; but as the clerks responsible had made good the overpayment, they reprimanded the Treasury Officer and asked the Commissioner to reprimand the Accountant and the Treasurer, and to cause a note of the reprimand to be entered in their service books, and also to warn them that a repetition of their carelessness would be dealt with severely.

17. The following case of withdrawal of Provident Fund money in excess of the amount at the credit of an officer deserves special mention. Irregular withdrawal Provident Fund money

An officer drew a sum of Rs 4,010-14-0 from the treasury for payment of premia on his Life Assurance policies during 1917-18, while the amount at his credit in the General Provident Fund, advised for such payment, was Rs. 2,810-14-0 only. The officer concerned and the Treasury Officer explained that the overdrawal was due to an oversight. The sum of Rs 1,200 drawn in excess was recovered. The L [illegible]
through the Chief Engineer, the Chief
laxity shown by the officer concerned. I
been taken against the Treasury Officer. *Central Prov.*

18. An instance of a false statement in support of a claim for travelling allowance was discovered in Assam. Irregular drawal of travelling allowance by false statement.

A sum of Rs. 25-10-0 was drawn on account of travelling allowance for the brother of an Excise Sub-Inspector under article 1098, Civil Service Regulations. In reality the boy who travelled was a cousin of the Sub-Inspector for whom no travelling allowance could be claimed. The amount was recovered, and the Sub-Inspector's pay was reduced by Rs. 10 a month for a period of five months. *Assam*

19. The audit of the accounts of a Reformatory school disclosed serious irregularities. Stock purchased or manufactured and stock issued were not entered regularly in the respective stock books. Credit sales were allowed without sanction and their value was realised without granting receipts or crediting the amounts in the cash book. Similarly money drawn from the Treasury was kept outside the accounts for a long time, and in some cases Accounts of a school not properly maintained. *Madras*

it was not spent immediately on the objects for which it was drawn. No security was taken from the storekeeper, though this defect had been pointed out more than once in audit, and the non-observance of this precaution, combined with a laxity of supervision, resulted in a total deficit of money, stores, etc., amounting to Rs. 1,946-0. The amount has since been made good by the Superintendent of the School, and the Director of Public Instruction has issued orders that a security should be taken from the storekeeper in the future. The Local Government do not propose to take any further action in the matter.

20. Other instances of financial irregularities have been detailed in the Appendix.

Public Works Department.

Percentage of objections to total expenditure: Buildings and Roads Branch.

21. The following statement shows, for the Buildings and Roads Branch of the Public Works Department, the total expenditure incurred, the total amount of objections raised, and the percentage which the latter bears to the former.

[Buildings and Roads Branch.]

Province	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
India	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North-West Frontier Province	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Madras	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bengal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Provinces	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Punjab	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Burma	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bihar and Orissa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Central Provinces	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hyderabad	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Central India	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Assam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Port Blair	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* For the Delhi Province the total expenditure was [illegible], the total amount of objections [illegible], and the percentage [illegible] against [illegible] in the preceding year.

Comparison with 1916-17.

22. It will be observed that, taking all the provinces together, the percentage of objections to total expenditure was practically the same as in the preceding year. There were substantial improvements in India, Bengal, Bihar and Orissa, the Central Provinces and Port Blair. The improvement in India occurred in the Delhi Province and was the result of prompter issue of Budget orders in the year under review. In Bengal, the improvement occurred in the objections for repair works for want of sanctioned estimate. In Bihar and Orissa, the improvement was attributable to the receipt of the Secretary of State's sanction to the Capital project at Patna. In the Central Provinces, the improvement was the result of more successful efforts on the part of executive officers to comply with rules. In Port Blair, the

improvement was due to the sanction of estimates before works were *taken* up. On the other hand, there were increases in the North-West Frontier Province, Madras, Bombay, the Punjab, Burma and Central India. The cause of the increase in the North-West Frontier Province is unknown. In Madras, the increase occurred under objections for want of estimates and appropriation. In Bombay, the increase was mainly attributable to heavy expenditure on the construction of the Acetone Factory at Nasik [illegible] ars has been unduly [illegible] make an enquiry [illegible] the increase was due [illegible] Scheme and Army [illegible] tlay on land for Gazetted officers' residences in Lahore in excess of estimate. In Burma, the increase was due chiefly to expenditure without estimates on camps for prisoners of war, and to a greater number of objections for want of vouchers and unadjusted suspense balances over six months old. The increase in Central India was mostly due to objections raised for non-submission of vouchers with the accounts.

Percentage of objections to total expenditure: Irrigation Branch.

23. The following statement shows, for the Irrigation Branch of the Public Works Department, the total amount of objections raised as compared with the total expenditure incurred during the year and the percentage which the former bears to the latter.

[Irrigation Branch.

Province.	Total expenditure.	Total amount of objections.	Percentage of total objections to total expenditure.	Similar percentage for 1916-17.	Increase + Decrease —.
India	1,44	33	23	38	—15
North-West Frontier Province.	13,69	1,91	14	15	—1
Madras	45,63	5,17	11	13	—2
Bombay	55,63	31,66	57	57	...
Bengal	17,96	9,58	53	90	—37
United Provinces . .	28,23	5,95	21	22	—1
Punjab	1,47,23	14,16	10	8	+2
Burma	7,72	4,14	54	22	+32
Bihar and Orissa . .	9,21	2,67	28	38	—10
Central Provinces .	27,99	18,36	66	72	—6
Assam	25	4	16	18	—2
TOTAL .	3,64,77	93,77	26	27	—1

Comparison with 1916-17.

24. The percentage for all India remained practically the same as in the preceding year. There were, however, substantial improvements in India, Bengal, and Bihar and Orissa. In India the improvement was due chiefly to the commencement of relatively few works in consequence of the rigid economy imposed by the war. The improvement in Bengal was attributable to the cause explained in paragraph 22 above. The improvement in Bihar [illegible] in objections for want of estimate [illegible] oduction of the system of sanctioning [illegible] for certain repair works. On the other [illegible] Burma, which was due chiefly to a temporary excess of 1,51 over the project estimate, and 1,19 for want of appropriation, for the Twante Canal.

Explanation for specially high percentages.

25. It will be observed that more than half the expenditure incurred in Bombay, Bengal, Burma and the Central Provinces was placed under objection. In Bombay, the objections on account of 'Wanting vouchers' and 'Want of or

excess over project provision' represented nearly 23 per cent. of the total expenditure incurred during the year under review. In Bengal, the high figure was due to objections for want of vouchers, and to the expenditure on the Madaripur Bheel Route Project incurred in excess of the amount sanctioned for the project by the Secretary of State. The high percentage in Burma was due to the causes mentioned in the preceding paragraph. In the Central Provinces, further outlay in the year under review on the Wainganga, Mahanadi and Tandula Canal Projects in excess of estimates was mainly responsible for the high percentage.

Percentage of works started without estimates to total number of works started during the year.

26. The following statement shows separately, under the Buildings and Roads and Irrigation Branches, the percentage of works started without detailed sanctioned estimates. The figures have been calculated with reference, in most of the provinces, to about 20 per cent. of the divisions. The corresponding figures for the preceding year are given for purposes of comparison.

Province.	Buildings and Roads Branch.			Irrigation Branch.		
	1917-18.	1916-17.	Increase + Decrease −	1917-18.	1916-17.	Increase + Decrease −
India (excluding Delhi Province)	8	20	−12	9	46	−37
Delhi Province	12	13	−1	...	...	...
North-West Frontier Province	36	34	+2	1	2	−1
Madras	23	23	...	14	22	−8
Bombay	35	28	+7	51	56	−5
Bengal	21	48	−27	47	50	−3
United Provinces	27	25	+2	16	23	−7
Punjab	3	21	−18	3	1	+2
Burma	9	16	−7	4	16	−12
Bihar and Orissa	9	14	−5	16	12	+4
Central Provinces	15	20	−5	74	51	+23
Assam	33	44	−11	50	58	−8
Hyderabad	9	...	+9	...	...	...
Central India	12	5	+7	...	...	...
Rajputana	15	10	+5	2	3	−1
Port Blair	3	51	−48	...	...	...

27. It will be observed that a very high percentage of works continues to be started without detailed estimates in several provinces. In the Buildings and Roads Branch there was considerable improvement in India (excluding Delhi Province), Bengal, the Punjab, Burma, Assam and Port Blair, but a retrogression in Bombay, Hyderabad, Central India and Rajputana. The increase in Bombay was due to the commencement of ordinary repairs without sanctioned estimates. In Hyderabad the increase was the result of 2 repair works having been started without sanction to estimates. In Central India the increase occurred under original works and special repairs. The increase in Rajputana was due to the commencement, prior to sanction of estimates, of a number of works and repairs in connection with the barracks for the Indian convalescent section at Deesa. In the Irrigation Branch, there was substantial improvement in India (excluding Delhi Province), Madras, the United Provinces, Burma and Assam, and a noticeable falling off in the Central Provinces. The increase in the Central Provinces was due to delay in sanctioning maintenance estimates.

28. The following statement shows the percentage of works started without estimates to the total number started during the year under review, separately under 'Original works,' 'Ordinary repairs' and 'Special repairs', for each branch of the department. The figures have been calculated, as in paragraph 26 above, with reference in most of the provinces to about 20 per cent. of the divisions taken at random :—

Percentage of works started without estimates to total number of works started during the year, under 'Original works,' 'Ordinary repairs' and 'Special repairs.'

Province		Buildings and Roads Branch.			Irrigation Branch		
		Original works.	Ordinary repairs	Special repairs	Original works.	Ordinary repairs	Special repairs
India (excluding Delhi Province)	1917-18	8	11	3	7	14	...
	1916-17	8	30	4	43	58	20
Delhi Province	1917-18	8	19	10	...	...	...
	1916-17	7	23	...	...	...	...
North-West Frontier Province	1917-18	15	34	52	...	3	1
	1916-17	27	42	27	2	22	2
Madras	1917-18	15	31	11	13	24	12
	1916-17	15	28	15	16	26	16
Bombay	1917-18	21	82	29	44	65	50
	1916-17	21	39	40	46	73	47
Bengal	1917-18	26	22	31	25	29	57
	1916-17	21	61	..	19	58	14
United Provinces	1917-18	12	36	15	9	19	14
	1916-17	11	86	14	13	29	13
Punjab	1917-18	3	5	1	4	(a)	5
	1916-17	1	88	6	(a)	2	2
Burma	1917-18	13	12	3	3	7	3
	1916-17	10	22	12	5	29	13
Bihar and Orissa	1917-18	8	10	2	2	20	...
	1916-17	9	17	11	6	14	4
Central Province	1917-18	16	12	16	55	84	...
	1916-17	12	45	29	59	56	12
Assam	1917-18	12	44	3	17	100	..
	1916-17	5	58	2	33	70	...
Central India	1917-18	7	16	16	...	...	...
	1916-17	3	17	11	...	...	...
Hyderabad	1917-18	...	33	...	...	...	..
	1916-17	...	...	...	...	...	...
Rajputana	1917-18	15	12	32	...	4	...
	1916-17	5	13	10	4	2	...
Port Blair	1917-18	2	9	...	...	...	...
	1916-17	50	100	...	...	...	..

(a) Less than 1

29. It will be observed that a very high percentage of ordinary repairs is undertaken without sanction to detailed estimates in Bombay and Assam in both the branches of the Public Works Department, and in the Central Provinces in the Irrigation Branch. The percentages in the Irrigation Branch in Bombay and the Central Provinces under 'Original works', in the Buildings and Roads Branch in the North-West Frontier Province under 'Special repairs' and in the Irrigation Branch in Bombay and Bengal under 'Special repairs' are also very high. In several provinces the percentage is high under one or more heads.

In paragraph 25 of my last report it was suggested that the rules in the Public Works Department Code relating to the preparation of estimates for works might repay examination. It was found that the restriction contained in paragraphs 711 and 714, Public Works Department Code, Volume I, *viz.*, that repair estimates must include the expenditure considered requisite during the official year and that the sanction to such estimates lapses at the end of the same period, resulted in a large number of audit objections being raised in the early months of the official year, before the new estimates could be prepared, without any special advantages being gained thereby, and the Government of India have, therefore, delegated to the Local Governments and Administrations power to prescribe the working year for the purpose of repair estimates and to fix the date upon which such estimates should lapse. The Government of India have also decided to accept the proposal of the Pul [illegible] Reorganization Committee that, in the case of any [illegible] annual repairs (excluding municipal taxes) [illegible] Superintending Engineer may prescribe, [illegible] time, a lump sum, limited to Rs. 500 (*plus* the amount of the municipal [illegible]s, if any,

payable by Government) for any one building, to cover the cost of maintenance and within this amount expenditure will be permissible without the preparation of any detailed estimate.

Comparison with 1916-17.

30. The improvement or deterioration was, in almost every case, due to stricter or laxer compliance with the rules which enjoin that estimates must be sanctioned before works are started. In some provinces the war increased the number of buildings which had to be started urgently, in others the war led to a curtailment of the programme of original works. In the North-West Frontier Province the increase in the Buildings and Roads Branch under 'Special repairs' was due to the whole Military Works staff having been busy in mobilisation works connected with the recent Waziristan Field Force operations early in the year, the time at which it is usual to prepare annual repair estimates. The increase in the Bengal Irrigation Branch under 'Special repairs' was due to several storm damage repairs having been undertaken without sanction to detailed estimates.

Analysis of Outstanding Objections.

31. The balances of the several classes of objections, raised up to the 31st March 1918 but remaining unadjusted on the 31st July 1918, are given in the following statement :—

Province.		Want of Estimate.	Excess over Estimate. Covered by administrative sanction.	Excess over Estimate. Not covered by administrative sanction.	Want of appropriation.	Excess over appropriation.	Miscellaneous irregularities.	Total.	Total on 31st July 1917.	Increase + Decrease −
India	Buildings and Roads.	69	...	1,52	26	2,46	3,59	8,52	4,18	+4,34
	Irrigation	...	...	15	...	4	...	19	15	+4
North-West Frontier Province.	Buildings and Roads.	1,06	...	40	1	13	...	1,60	76	+84
	Irrigation	...	4	21	...	...	1	26	33	−7
Madras	Buildings and Roads.	87	80	37	...	3	1,08	3,15	3,25	−10
	Irrigation	86	11	52	...	1	21	1,71	4,52	−2,81
Bombay	Buildings and Roads.	18,65	1	2,72	1,26	67	1,59	24,90	11,17	+13,73
	Irrigation	15,70	...	1,71	4	30	10,09	27,84	40,59	−12,75
Bengal	Buildings and Roads.	58	...	69	17	16	9	1,69	(a)1,05	+64
	Irrigation	6,64	...	8,96	...	24	2	15,86	15,09	+77
United Provinces of Agra and Oudh.	Buildings and Roads.	10,27	19	1,29	39	52	42	13,08	15,78	−2,70
	Irrigation	3	42	19	1	28	4	97	1,17	−20
Punjab	Buildings and Roads.	1,92	...	1,38	3	58	38	(c)4,29	(b)1,75	+2,54
	Irrigation	2,14	62	26	...	1,35	49	4,86	2,21	+2,65
Burma	Buildings and Roads.	1,31	...	90	39	67	75	4,02	3,97	+5
	Irrigation	...	...	3	...	6	7	16	1,53	−1,37
Bihar and Orissa.	Buildings and Roads.	...	10	15	6	24	23	78	21,68	−20,90
	Irrigation	...	2	...	...	1	7	10	13	−3
Central Provinces.	Buildings and Roads.	19	35	...	21	56	13	(d)1,44	78	+66
	Irrigation	98	9,35	...	...	...	70	11,03	8,95	+2,08
Assam	Buildings and Roads.	..	...	9	...	10	3	22	29	−7
	Irrigation	...	...	...	...	...	...	...	...	...
Total	Buildings and Roads.	35,54	1,45	9,51	2,78	6,12	8,29	63,69	64,66	−97
	Irrigation	26,35	10,56	12,03	5	2,29	11,70	62,98	74,67	−11,69
	Total	61,89	12,01	21,54	2,83	8,41	19,99	1,26,67	1,39,33	−12,66

(a) Includes 48 for Port Blair.
(b) " 4 " the Simla Imperial Sub-Division.
(c) Includes 4 for the Simla Imperial Sub-Division.
(d) " 2 " Central India.

32. As compared with the preceding year, the balance for the whole of India shows an improvement of 12,66, which occurred mainly in the Irrigation Branch. In the Buildings and Roads Branch, the improvement occurred in Bihar and Orissa and the United Provinces, and was due in the former to the Capital Projects at Patna having been sanctioned by the Secretary of State and in the latter to reduction of expenditure consequent on the continuance of financial conditions brought about by the war. On the other hand, there were increases in India, North-West Frontier Province, Bombay, Bengal, the Punjab and the Central Provinces. The increase in India occurred mainly in the Delhi Province and was due chiefly to outlay in excess of estimates on works undertaken for additional residential and office accommodation for the Government of India, to expenditure in excess of appropriation on storm water drainage and stock and suspense, and to the payment to a contractor in advance of the detailed bill which was received without the contractor's signature. The increase in the North-West Frontier Province was due to delay in the disposal of objections in some districts. The increase in Bombay was due to heavy expenditure on the construction of the Acetone Factory at Nasik without estimate, to outlay on sewerage and improvements to the water supply in Poona in excess of Comparison with 1916-17.

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appropriation and without ad-

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chiefly to expenditure incurred

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Punjab was due chiefly to expenditure incurred without estimates on extensions

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In the Irrigation Branch, improvements occurred mainly in Madras, Bombay and Burma In Madras, the improvement was chiefly due to the removal during the year under review of several items outstanding from the preceding y... over the estimate under 'Tools and ... Bombay, the improvement was due to ... Canals Project having been sanctioned ... ation report of the Godavari Canals Project and the Schedule of Incomplete Works of the Project having been sanctioned by the Government of India, and to less objections having been raised in the year under review than in the preceding year. In Burma, the improvement was due to the expenditure in excess of the project estimate for the Twante Canal, which was outstanding in the preceding year, having since been passed by the Local Government. These improvements were to some extent counterbalanced by increases in Bengal, the Punjab and the Central Provinces. The increase in Bengal was due to further expenditure having been incurred in excess of the project estimate sanctioned by the Secretary of State in connection with the Madaripur Bheel Route Project referred to in paragraph 27 of the last year's report. The increase in the Punjab was due to expenditure on two works without sanction to detailed estimates, and on four works in excess of sanctioned appropriation. The increase in the Central Provinces was due to expenditure incurred on the Tandula Canal Project against the lump sum provisions for minor distributaries having been taken against main distributaries pending distribution of the expenditure over the minor distributaries.

Buildings and Roads Branch.

33. The following statement shows, for the Buildings and Roads Branch, the outstandings according to the years to which they relate. Classification of outstandings according to years: Buildings and Roads Branch.

corresponding figures for the preceding year are also given for purposes of comparison :—

		Relating 1915-16 and previous years.		Relating to 1916-17.		Relating to 1917-18.		Total.	
		No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
India	31st July '17	5	2,63	45	1,55	...	...	50	4,18
	31st July '18	**4**	**1,48**	**2**	**40**	**113**	**6,64**	**119**	**8,52**
North-West Frontier Province.	31st July '17	...	...	24	76	...	...	24	76
	31st July '18	...	...	**1**	**6**	**63**	**1,54**	**64**	**1,60**
Madras	31st July '17	31	50	149	2,75	...	...	180	3,25
	31st July '18	**2**	**2**	**36**	**65**	**151**	**2,48**	**189**	**3,15**
Bombay	31st July '17	16	5,61	166	5,56	...	...	182	11,17
	31st July '18	**9**	**4,98**	**15**	**2,03**	**303**	**17,89**	**327**	**24,90**
Bengal	31st July '17	1(c)	6(c)	(d)51	(d)99	...	...	(e)52	(f)1,05
	31st July '18	...	...	...	...	**494**	**1,69**	**494**	**1,69**
United Provinces of Agra and Oudh	31st July '17	14	37	331	15,41	...	...	345	15,78
	31st July '18	**4**	**23**	**22**	**8,94**	**320**	**3,91**	**346**	**13,08**
Punjab	31st July '17	2	31	116	(a)1,44	...	...	118	(a)1,75
	31st July '18	...	...	**(g)9**	**(g)34**	**(h)127**	**(h)3,95**	**136**	**(a)4,29**
Burma	31st July '17	4	18	187	3,79	...	..	191	3,97
	31st July '18	...	...	**4**	**17**	**238**	**3,85**	**242**	**4,02**
Bihar and Orissa	31st July '17	4	9,26	51	12,42	...	...	55	21,68
	31st July '18	...	...	**1**	**15**	**51**	**63**	**52**	**78**
Central Provinces	31st July '17	1	1	96	77	...	...	97	78
	31st July '18	...	...	...	..	**(b)112**	**(b)1,44**	**(b)112**	**(b)1,44**
Assam	31st July '17	...	...	27	29	...	...	27	29
	31st July '18	...	...	...	...	**44**	**22**	**44**	**22**
Total	31st July '17	78	18,93	1,243	45,73	...	...	1,321	64,66
	31st July '18	**19**	**6,71**	**90**	**12,74**	**2,016**	**44,24**	**2,125**	**63,69**

(a) Includes 4 for Simla Imperial Sub-Division.
(b) Includes 1 item amounting to 2 for Central India.
(c) Relates to Port Blair.
(d) Includes 9 items amounting to 42 for Port Blair.
(e) Includes 10 items for Port Blair.
(f) Includes 48 for Port Blair.
(g) Includes 1 item amounting to 1 for Simla Imperial Sub-Division.
(h) Includes 2 items amounting to 3 for Simla Imperial Sub-Division.

Analysis of outstandings relating to 1915-16 and previous years.

34. Out of 78 items relating to 1915-16 and previous years, remaining unadjusted on the 31st July 1917, 59 were adjusted during the period under review. Of the balance of 19, which were outstanding on the 31st July 1918, 4 related to 1913-14, 4 to 1914-15 and 11 to 1915-16.

The following statement shows the amounts of these outstandings and the provinces to which they relate :—

Year.	Province.	Number of items.	Amount.
1913-14	Madras	1	(a)
	Bombay	3	2,10
1914-15	India	2 (b)	48
	Bombay	2	2,38
1915-16	India	2	1,00
	Madras	1	2
	Bombay	4	50
	United Provinces of Agra and Oudh	4	23
	Total	19	6,71

(a) Less than one thousand.
(b) Differs from the number shown in the last report owing to correction since made.

In Madras, the items relating to 1913-14 and 1915-16, which were held under objection under 'Miscellaneous Irregularities,' represent contributions recoverable for works in connection with two tanks and are the subject of litigation.

In Bombay, the outstandings for 1913-14 represent 2 items amounting to 2,06 under 'Want of Estimate' and 1 amounting to 4 under 'Miscellaneous Irregularities.' The items under 'Want of Estimate' represent, as stated i [illegible] ouses in the Persian G [illegible] The item under 'Mis- c [illegible] report, an amount d [illegible] with a water supply scheme The municipality have since applied for the remission of their share of the cost and also of the cost of some extra works in connection with the project [illegible]

[illegible]

-ting buildings for long range wireless station at Kirkee.' The work has been postponed *sine die* and it has since been decided that all unused materials should either be written back to stock or dealt with under paragraph 1269, P [illegible]

N [illegible] The former represents outlay on the southern extension of the city, provisionally adjusted under 45—Civil Works, pending orders on the financing of the scheme; and the latter, which is eventually debitable to the North Western Railway, is outstanding, pending final settlement of the new railway station scheme, referred to in paragraph 30 of the last year's report.

In the United Provinces, the outstandings for 1915-16 represent 2 items amounting to 20 under 'Excess over Estimate,' 1 item amounting to 1 under 'Excess over Appropriation' and 1 amounting to 2 under 'Miscellaneous Irregularities'. Of the two items under 'Excess over Estimate' one represents outlay on water supply in the New High Court and the other represents expenditure on the Lucknow Water Supply Scheme. The item under 'Excess over Appropriation' represents expenditure on collection of annual renewal metal on some local roads in the Ballia District. The item under 'Miscellaneous Irregularities' represents rent of electric installation and cost of current due from certain officers, which are in course of recovery.

35. The following statement shows the outstandings relating to 1916-17 and the provinces to which they relate:— **Analysis of outstandings relating to 1916-17.**

Province.	Want of Estimate.		Excess over Estimate.		Miscellaneous Irregularities.		Total.	
	No. of items.	Amount.	No. of items.	Amount.	No. of items	Amount.	No. of items.	Amount.
India	1	1	...	...	1	39	2	40
North-West Frontier Province	...	...	1	6	...	...	1	6
Madras	6	16	22	43	8	6	36	65
Bombay	11	1,98	3	2	1	3	15	2,03
United Provinces of Agra and Oudh	18	8,57	3	33	1	1	22	8,91
Punjab	...	...	(a) 4	(a) 23	5	1	(a) 9	(a) 34
Burma	...	...	3	12	1	5	4	17
Bihar and Orissa	...	...	1	15	...	...	1	15
Total	36	10,72	37	1,44	17	55	90	12,74

(a) Includes an item amounting to 1 for the Simla Imperial Sub-Division.

India (Delhi).—The outstanding under 'Miscellaneous Irregularities' represents expenditure in connection with the City Extension Scheme.

Madras.—The chief item outstanding under 'Want of Estimate' represents expenditure on the acquisition of land for constructing Town Police buildings at Cocanada. The items under 'Excess over Estimate' are all petty; some of them have since been cleared.

Bombay.—In addition to the outstandings in connection with the two light-houses in the Persian Gulf, and Condensing Plant Buildings at Bushire mentioned in the preceding paragraph, the other principal items under 'Want of Estimate' are (*a*) constructing Acetone Factory at Nasik, which requires the sanction of the Secretary of State, and (*b*) constructing at Bushire (1) Water Service Project, (2) Engineer's quarters, (3) protective wall and landing stage, and (4) fitting up Condensing Plant, for which the orders of Government are awaited on the completion reports.

United Provinces of Agra and Oudh.—The bulk of the outstandings relate to expenditure incurred without estimates in connection with several district schools and educational buildings through the agency of the Director of Public Instruction. The Local Government propose to pass the expenditure on completion certificates, after the works have been examined by the Public Works Engineers and the certificates countersigned by them. Other noticeable items outstanding under 'Want of Estimate' represent expenditure on (*a*) a Tube Well at Gola Gokran Nath, and (*b*) a Water Supply Scheme at Hardwar. The chief item under 'Excess over Estimate' represents further expenditure on the Lucknow Water Supply Scheme mentioned in the preceding paragraph.

Punjab.—Two items amounting to 31 under 'Excess over Estimate' have since been cleared.

Burma.—Of the four items, three have since been adjusted and the remaining one (amounting to less than 1) is expected to be cleared shortly.

Bihar and Orissa.—This item represents expenditure on the collection of bricks for constructing a new building for the Ravenshaw College, Cuttack, of which 11 have since been adjusted by the issue of bricks to other works and the remainder is expected to be adjusted in the same way.

Analysis of outstandings relating to 1917-18.

36. The outstandings relating to 1917-18 are analysed below:—

Province.	Want of Estimate.		Excess over Estimate.		Want of Appropriation.		Excess over Appropriation.		Miscellaneous Irregularities.		Total.	
	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
India	7	20	40	1,52	11	26	32	2,46	23	2,20	113	6,64
North-West Frontier Province.	36	1,06	17	34	1	1	9	13	...	...	63	1,54
Madras	38	71	56	74	...	...	5	3	52	1,00	151	2,48
Bombay	99	11,87	84	2,57	63	1,26	32	67	25	1,52	303	17,89
Bengal	55	58	374	69	38	17	16	16	11	9	494	1,69
United Provinces of Agra and Oudh.	37	1,70	104	95	34	39	110	51	35	36	320	3,91
Punjab	2	1,92	54	1,05	4	3	(*a*)45	(*a*)58	22	37	(*a*)127	(*a*)3,95
Burma	23	1,31	119	78	12	39	38	67	46	70	238	3,85
Bihar and Orissa	...	...	24	10	6	6	19	24	2	23	51	63
Central Provinces	10	19	30	35	11	21	43	56	(*b*) 18	(*b*) 13	(*b*)112	(*b*)1,44
Assam	...	...	12	9	...	...	14	10	18	3	44	22
Total	307	19,54	914	9,18	180	2,78	363	6,11	252	6,63	2,016	44,24

(*a*) Includes 2 items amounting to 3 for Simla Imperial Sub-Division.

(*b*) Includes 1 item amounting to 2 for Central India.

India (Baluchistan).—The only important item is outstanding under 'Want of Appropriation' and represents expenditure on the Nari Canal Works

Delhi.—The outstandings under 'Excess over Estimate' represent expenditure under 45—Civil Works, War 1914, contribution works, and 51—New Capital, and most of them are expected to be cleared on receipt of completion reports. Under 'Excess over Appropriation the outstandings relate chiefly to the New Capital and are in connection with stock and manufacture and the construction of roads, Indian clerks' quarters, and storm water drainage. Out of 17 items under 'Miscellanous Irregularities' 4 pertain to 45—Civil Works and 13 to 51—New Capital.

North-West Frontier Province.—The items are all petty, and some of them have since been adjusted.

Madras.—The principal item under 'Want of Estimate' represents outlay on the acquisition of, and improvements to, Brodies Castle; it has since been cleared. Under 'Excess over Estimate' the important item, which has since been adjusted, represents expenditure on acquisition of buildings for the Rajkumar College. Under 'Miscellaneous Irregularities' the important outstandings are (*a*) contribution recoverable for the scheme of water supply to a town, and (*b*) payment for work in connection with the People's Park exhibition of arts and industries.

Bombay.—Under 'Want of Estimate' the bulk of the outstandings occur in connection with the Acetone Factory at Nasik mentioned in the preceding paragraph. Other noticeable items are (*a*) constructing new Native Infantry lines at Satara, which has since been sanctioned, and (*b*) payment of compensation which awaits the orders of Government for land acquired for constructing quarters for Government officers, and (*c*) acquiring land for the combined Post and Telegraph office at Broach, which has since been sanctioned. Under 'Excess over Estimate' the chief outstanding item is 'the Poona sewerage and improvements to Poona City Water Supply Project.' Under 'Want of Appropriation 'the chief item represents payment for land acquired for constructing quarters for Government officers mentioned above. Under [illegible] important item relates to expenditure on [illegible] plot on Malabar Hill incurred without the [illegible] iovernment of India to the general scheme for the construction of quarters for officers in Bombay.

Bengal.—The outstandings are made up of small items. The noticeable items under 'Want of Estimate' are (*a*) constructing a bridge over the Sakti- [illegible] ›tal on the Grand Trunk Road. These [illegible] 'Excess over Estimate' the only import- [illegible] ıstructing a bridge over the Jaldaka river.

United Provinces.—Under 'Want of Estimate' the principal outstandings represent expenditure on (*a*) land acquired for additional buildings for the Survey of India office, (*b*) constructing a cart road between Rajpur and Mussooree, and (*c*) the acquisition of land for some educational buildings. Under 'Excess over Estimate' the important items relate to (*a*) further outlay on the Lucknow Water Supply Scheme mentioned in the preceding paragraph, (*b*) expenditure which has since been adjusted, on the Muttra Water Supply Scheme and (*c*) the electrification of the New High Court, Allahabad. The outstandings under other heads are made up of petty items which call for no remarks.

Punjab.—The outstandings under 'Want of Estimate' represent expenditure on the extension of the Army Head-Quarters office building in Simla, the estimate for which awaits the sanction of the Government of India. Under 'Excess over Estimate' the items are (*a*) acquisition of land for Gazetted officers' residences at Lahore, and (*b*) Simla Hydro-electric scheme. The excess in the former case has since been sanctioned and the Secretary of State's orders are awaited for the latter. The other items are small and call for no remarks.

Burma.—Under 'Want of Estimate' the important items are (*a* providing permanent bridges on the Myitkyina-Putao road, (*b*) production

metal from quarries, and (*c*) lighting a prisoners of war camp at Thayetmyo. The first two have since been cleared by writing back the expenditure to other sanctioned estimates. Under 'Excess over Estimate' the chief outstandings are (*a*) Ma-ubin water supply scheme, and (*b*) constructing a District Court House with subsidiary buildings at Myingyan. Under 'Want of Appropriation' the chief item, which represents outlay on 'constructing a road to the Mawchi Tin mines', has since been passed by the Local Government. Under 'Excess over Appropriation' the chief item, which relates to expenditure on the Myitkyina-Putao road, has since been adjusted. Under 'Miscellaneous Irregularities,' the principal outstanding is the outlay in excess of contribution on the Ma-ubin water supply scheme.

Bihar and Orissa.—The outstandings consist of small items and call for no remarks.

Central Provinces.—The outstandings consist mostly of small items. The only important item represents expenditure in connection with the collection of materials for the Arts College at Amraoti without estimate and appropriation. The outstandings under 'Miscellaneous Irregularities' represent amounts due from contractors for materials issued to them and are being gradually recovered.

Assam.—The outstandings have since been cleared.

IRRIGATION BRANCH.

Classification of outstandings according to years: Irrigation Branch.

37. The following statement shows the outstandings in the Irrigation Branch according to the years to which they relate. The corresponding figures for the previous year are also given for purposes of comparison:—

		Relating to 1915-16 and previous years.		Relating to 1916-17.		Relating to 1917-18.		Total.	
		No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
India	31st July '17	...	...	3	15	...	...	3	15
	31st July '18	...	...	**2**	**12**	**4**	**7**	**6**	**19**
North-West Frontier Province.	31st July '17	5	12	16	21	...	...	21	33
	31st July '18	...	...	...	...	**10**	**26**	**10**	**26**
Madras	31st July '17	31	48	97	4,04	...	...	128	4,52
	31st July '18	**6**	**20**	**7**	**66**	**139**	**85**	**152**	**1,71**
Bombay	31st July '17	40	18,76	111	21,83	...	...	151	40,59
	31st July '18	**14**	**3,75**	**28**	**15,40**	**190**	**8,69**	**232**	**27,84**
Bengal	31st July '17	13	7,83	33	7,26	...	...	46	15,09
	31st July '18	**7**	**7,41**	**7**	**4,93**	**133**	**3,52**	**147**	**15,86**
United Provinces of Agra and Oudh.	31st July '17	4	11	82	1,06	...	...	86	1,17
	31st July '18	...	...	**5**	**15**	**119**	**82**	**124**	**97**
Punjab	31st July '17	19	6	221	2,15	...	...	240	2,21
	31st July '18	...	...	**40**	**9**	**259**	**4,77**	**299**	**4,86**
Burma	31st July '17	...	...	17	1,53	...	...	17	1,53
	31st July '18	...	...	...	...	**25**	**16**	**25**	**16**
Bihar and Orissa	31st July '17	...	...	11	13	...	...	11	13
	31st July '18	...	...	...	...	**4**	**10**	**4**	**10**
Central Provinces	31st July '17	13	4,21	85	4,74	...	...	98	8,95
	31st July '18	**7**	**3,69**	**10**	**2,27**	**123**	**5,07**	**140**	**11,03**
Assam	31st July '17	...	...	...	...	...	...	...	...
	31st July '18	...	...	...	...	...	...	...	...
Total	31st July '17	125	31,57	676	43,10	...	...	801	74,67
	31st July '18	**34**	**15,05**	**99**	**23,62**	**1,006**	**24,31**	**1,139**	**62,98**

Analysis of outstandings relating to 1915-16 and previous yaers.

38. Out of 125 items relating to 1915-16 and previous years, shown as outstanding on the 31st July 1917, 91 were adjusted during the period under review. Of the balance of 34 items outstanding on the 31st July 1918, 7 relate to 1914-15 and 27 to 1915-16.

The following statement shows the outstandings of 1915-16 and previous years and the provinces to which they relate :—

Year.	Province	Number of items.	Amount.
1914-15	Madras	2	(a) 20
	Bombay	2	2
	Bengal	2	44
	Central Provinces	1	1
1915-16	Madras	4	(b)
	Bombay	12	3,73
	Bengal	5	6,97
	Central Provinces	6	3,68
	Total	34	15,05

(a) Exceeds the amount shown in the last report owing to an outstanding amounting to 4 representing expenditure on a tank having since been transferred from the Buildings and Roads to the Irrigation Branch.

(b) Less than one thousand.

In Madras, the outstandings relating to 1914-15 represent 1 item amounting to 16 under 'Excess over Estimate' and another amounting to 4 under 'Miscellaneous Irregularities'. The former represents outlay on a tank project for which the completion report is awaited, and the latter represents contribution recoverable for repairing the bund of another tank. The items relating to 1915-16 represent amounts recoverable in connection with contribution works.

In Bombay, the outstandings for 1914-15 consist of one item under 'Want of Estimate' and another under 'Excess over Estimate.' The former represents outlay on constructing chowkidars' quarters in a district, and the latter
[illegible] 1915-16 consist of four items
[illegible] amounting to 4 under 'Excess
[illegible] 'Miscellaneous Irregularities'.
[illegible] epresents expenditure on the
installation of a Paterson Filter, and two other minor items have since been sanctioned, the remaining outstanding item represents expenditure on the excavation of boundary lines in connection with the Girna Left Bank Canal. Under 'Excess over Estimate' the item represents further outlay on the culvert mentioned above. [illegible] lings represent expenditure in [illegible] thout, or in excess of, the projec [illegible] been sanctioned against the project provision as included in the revised project estimate of the Nira Right Bank Canal, which has been returned by the Government of India for modification, and is still under revision.

[illegible]

over Estimate' and one item of less than 1 under 'Miscellaneous Irregularities.' Under 'Want of Estimate' two items represent further outlay on the two works mentioned above, and the third, which involves an amount of less than 1, represents expenditure on the survey of the Madaria Khal. The item under 'Excess over Estimate' represents expenditure on the Madaripur Bheel Route Project

in excess of the estimate sanctioned by the Secretary of State, while that under 'Miscellaneous Irregularities', represents contribution recoverable for remodelling a sluice.

In the Central Provinces, the outstanding for 1914-15 represents excess expenditure incurred on the Mahanadi Canal Head Works, sanction to the completion report of which is awaited. Of the six items relating to 1915-16, 5 amounting to 3,63 represent outlay incurred in excess of detailed estimates in connection with the Wainganga Canal Project, for which sanction to the revised estimate is awaited. The remaining item amounting to 5, which represents advances made to the East Indian Railway Company for constructing Irrigation works in the Nerbudda Division, has since been cleared.

Analysis of outstandings relating to 1916-17.

39. The following statement shows the outstandings relating to 1916-17 and the provinces to which they relate:—

Province.	Want of Estimate.		Excess over Estimate.		Miscellaneous Irregularities.		Total.	
	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
India	...	...	2	12	...	...	2	12
Madras	1	63	6	3	...	...	7	66
Bombay	11	10,80	4	(a)	13	4,60	28	15,40
Bengal	5	2,58	2	2,35	...	...	7	4,93
United Provinces of Agra and Oudh	1	2	2	13	2	(a)	5	15
Punjab	...	...	34	7	6	2	40	9
Central Provinces	...	...	8	1,99	2	28	10	2,27
TOTAL	18	14,03	58	4,69	23	4,90	99	23,62

(a) Less than one thousand.

India.—The outstandings, which represent expenditure on constructing a permanent weir across the Nari river, have since been cleared.

Madras.—The outstanding under 'Want of Estimate' represents outlay on the Nagavalli Project, the completion report of which has not yet been sanctioned.

Bombay.—The outstandings under 'Want of Estimate' relate to further outlay on the installation of the Paterson Filter mentioned in the preceding paragraph, and to expenditure in connection with the Pravara Right and Left Bank Canals. The estimates for all the items, except one relating to the Pravara Canals, have since been sanctioned. Under 'Miscellaneous Irregularities' the items represent expenditure incurred without, or in excess of, the project provision for the Nira Right Bank Canal and for the Paterson Filter Plant mentioned above.

Bengal.—The bulk of the outstandings under 'Want of Estimate' relate to further expenditure on the two works connected with the Madaripur Bheel Route Project mentioned in the preceding paragraph. The principal item under 'Excess over Estimate' represents further expenditure in connection with the Madaripur Bheel Route Project. The other item, which relates to the remodelling of the Bistupur Zemindari embankments, has since been cleared.

United Provinces.—The chief item under 'Excess over Estimate' relates to the Main Ghagar Canal, a revised estimate for which has since been sanctioned by the Secretary of State.

Central Provinces.—The outstandings under 'Excess over Estimate' represent outlay in connection with the Wainganga and Mahanadi Canals Projects. The items under 'Miscellaneous Irregularities' represent advances made to the Bengal Nagpur Railway for the construction of syphons and bridges for which the completion reports are awaited.

40. The following statement shows the outstandings relating to 1917-18 and the provinces to which they relate :— **Analysis of outstandings relating to 1917-18.**

Province.	Want of Estimate.		Excess over Estimate.		Want of Appropriation.		Excess over Appropriation.		Miscellaneous Irregularities.		Total	
	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount	No. of items	Amount.	No. of items.	Amount.
India	...	...	1	3	...	...	3	4	...	...	4	7
North-West Frontier Province	...	...	6	25	..	...	...	...	4	1	10	26
Madras	78	23	33	44	...	...	1	1	27	17	139	85
Bombay	43	3,55	65	1,65	11	4	16	30	55	3,15	190	8,69
Bengal	50	1,36	67	1,90	...	...	10	24	6	2	133	3,52
United Provinces of Agra and Oudh	3	1	67	48	1	1	23	28	25	4	119	82
Punjab	12	2,14	151	81	...	...	19	1,35	77	47	259	4,77
Burma	1	(a)	5	3	1	(a)	5	6	13	7	25	16
Bihar and Orissa	...	...	2	2	...	...	1	1	1	7	4	10
Central Provinces	56	93	61	3,72	...	...	...	...	6	37	123	5,07
Total	243	8,27	458	9,33	13	5	78	2,29	214	4,37	1,006	24,31

(a) Less than one thousand.

North-West Frontier Province.—All the outstanding items, except 4 petty ones, have since been cleared.

Madras.—The only important outstanding occurs under 'Excess over Estimate' and relates to expenditure on the Bhavanasi Tank Project.

Bombay.—In addition to further expenditure in connection with the works mentioned in the preceding paragraph, the important items under 'Want of Estimate' are (a) raising and strengthening a portion of the Western Nara Bund, and (b) 2 items of earthworks in connection with the Nira Right Bank Canal. The estimate for one of the latter has since been sanctioned. Under 'Excess over Estimate' the chief item has since been cleared. Under 'Miscellaneous Irregularities,' the outstandings represent further outlay on the Nira Right Bank Canal and a Paterson Filter Plant held under objection for want of, or excess over, the project provision.

Bengal.—The important outstandings under 'Want of Estimate' represent further expenditure on the two works connected with the Madaripur Bheel Route Project mentioned in paragraph 38 above. The principal items under 'Excess over Estimate' represent further expenditure on the Madaripur Bheel Route Project and on constructing a spill for the improvement of a river, a revised estimate for which has since been sanctioned.

United Provinces.—The outstandings consist of small items,

Punjab.—Two important items, which formed the bulk of the outstandings under 'Want of Estimate', have since been cleared. The principal item under 'Excess over Estimate', amounting to 26, is awaiting orders on the completion report. Two items amounting to 58 under 'Excess over Appropriation' have since been cleared.

Central Provinces.—The outstandings under 'Want of Estimate' relate chiefly to outlay on individual works of the Mahanadi Canal. The most important items under 'Excess over Estimate' represent expenditure incurred on individual works of the Mahanadi and Wainganga Canal Projects and the Tandula Canal. The outstandings under 'Miscellaneous Irregularities' represent advances to the Bengal-Nagpur Railway mentioned in the preceding paragraph, to imported labour, and to contractors in the form of materials, the cost of which is being gradually recovered.

Financial Irregularities.

Irregular action with a view to avoiding lapses of Budget grants.

41. Several cases were noticed in which irregularities were committed to avoid lapses of grants, the irregularity consisting generally in paying for materials prior to their actual receipt and verification by a responsible officer of the department. The Governments of Bombay and Bengal issued general instructions on the subject during the year under report. In the United Provinces there was on the whole an improvement so far as the number of cases was concerned, although from the details of a few cases given below it will be observed that the gravity of the offence was in some cases accentuated by wrong measurements, overpayments, and fictitious entries in measurement books. A few instances are given below; others will be found in the appendix. Some of the irregularities recorded below under the head 'Irregular Measurements' and 'Discrepancies between entries in measurement books and journals' are undoubtedly due to a desire to avoid the lapse of a Budget grant.

Madras.

(*a*) Cement costing Rs. 1,694 was indented for in March 1917. The supply had arrived at the railway station, but it was not possible to convey the materials to the actual site of the work before 31st March 1917. A credit note for the railway freight was issued by the Sub-Divisional officer on the 4th April 1917, and the receipt of the supply was recorded by the Sub-Divisional officer in the measurement book on the same date. The Executive Engineer, however, drew a cheque on the 31st March 1917, and charged it off as a payment in his cash book for March 1917, although payment was not made until the 30th April 1917. The Local Government in passing final orders on the case remarked that the fact that materials had been paid for prior to their actual receipt and verification was unsatisfactory.

United Provinces.

(*b*) An allotment of Rs. 1,000 was sanctioned by the Superintending Engineer on the 31st March 1917 for annual renewal of metal collection on certain roads, and the District Engineer was asked by the Executive Engineer to spend the money on the same day. An entry of 15,687 c.ft. of kankar collection was made in a measurement book on the strength of a remark in a subordinate's note book, to the effect that kankar had already been collected and *final* payment of Rs. 1,000-1-0 was made on the same day. There was no agreement, no measurements, and no taking over of materials. Contractors were encouraged to collect metal on certain tracts of road without any agreement and although the Executive Engineer knew that there was no guarantee that he would have sufficient funds to pay during the year for the metal so collected. This procedure is against the principle of the rules in articles 161 and 162, Civil Account Code. The Superintending Engineer agreed that the transaction was irregular remarking that the allotment was made at the last moment after ascertaining from the Executive Engineer that he could conveniently spend it. The Local Government ordered that the rules on the subject should not be infringed in future and that the programme of works to be executed during a year (which is made out according to the urgency of the works) should, as far as possible, be limited to the amount of allotments available.

(c) The cost of a tent, which was in transit at the time, was charged in the accounts on the 30th March 1917
1917, and was not received until
by wire to send a *pro formá* bill t
the accounts for 1916-17. The Local Government stated that this was one of the irregularities against which disbursing officers were especially warned in their Public Works Department circular of May 1916, and ordered the Sub-Divisional ... warning to be noted in his persona ... mitted by the Sub-Divisional Offic ... e notice of the Local Government in the Inspection Report for 1916-17.

(d) On the 30th March 1917, an Executive Engineer took certain measurements of metal for which payment was made on a final bill on the 31st March ... the metal was found short, result ...

and ordered that the amount of Rs. 820-1-0 (Rs 1,089-9-0 less Rs. 269-8-0 found to be due to the contractor) overpaid, which could not be recovered from the contractor, be debited to 'Miscellaneous advances' pending receipt through the military authorities of the explanation of the Executive Engineer who is now on military duty.

(e) In a canal Division, in reply to a proposal made at the end of February 1916 by a Sub-Divisional Officer to surrender a saving of Rs 7,000, the Chief Engineer passed an order that the sum was too small to be surrendered to the Financial Department at that late date. The Superintending Engineer, on receipt of the orders, sent a telegram to the Executive Engineer asking him to endeavour to utilize the saving so that ... lapse at the end of the financial year, and subsequently instru ... for the disposal of Rs. 5,000. The latt ... during the remainder of the month ... Officer ... e 25th ... nd the ... t books ... cuted or ... e cash chest to be handed to the contractor when the works were finally completed and receipts were taken from the contractors in support of the entries in the cash book. The final measurements with regard to some works were not made till the 8th June 1916, and it was then ascertained that the contractors had been overpaid by Rs. 24-12-0, which was afterwards recovered. The Superintending Engineer, who issued the original order requiring that the amount should be spent, has expressed his regret for misinterpreting the communication received from the Chief Engineer. The Chief Engineer has issued orders ... and deliberate mis-statement of facts the Sub-Divisional ... allowance of Rs. 50 per month for a ... ior officers find it difficult to refrain from breaking rules when they receive orders which it may be difficult to obey unless rules are broken.

42. The irregularities in this class consisted chiefly in the allocation of expenditure to wrong estimates in the absence of sanction to estimates to which the expenditure should correctly have been charged. Two cases are mentioned in the appendix. In May 1917, the United Provinces Government in the Buildings and Roads Branch of the Public Works Department issued instructions requiring allocation on bills to be initialled or entered by disbursing officers in their own handwriting. The suggestion appears to be one which may be adopted with advantage in those provinces in which there is any tendency to ascribe the irregularity to oversight. **Irregular action with a view to evading financial rules or audit objections.**

Advance payments to contractors. *United Provinces.*

48. In connection with the construction of certain educational buildings the agreements with a firm of contractors provided for monthly payments in proportion to the work actually performed. In practice, however, the contractors were paid in advance the full estimated value of the works. This was done under the orders of the Local Government in the Education Department and no precautions were taken to safeguard Government against possible loss. The amounts thus advanced aggregated Rs. 8,32,172 to the end of 1917-18, and so far only one final bill amounting to Rs. 1,12,954-2-9 has been received by the Audit Office. The Local Government stated that the advances were of the nature of payments for materials 'at site' or 'in sight' while in some cases specific advances were authorised on their merits. It was also stated that precautions to secure Government against loss were not taken because they were unnecessary. At the instance of the Audit Office, however, the practice of making payments in advance has been discontinued from the 1st April 1918.

Want of, or irregularity in, agreements for the execution of Public Works.

49. Numerous instances came to notice in which works were commenced and in some cases even payments made, prior to the acceptance by competent authority of agreements with the contractors. In some instances the works had been completed and measured up and the final bills were pending payment for want of acceptance of the agreements. In some cases, the agreements were accepted by authorities who were not competent to do so. Cases were also noticed in which the rates to be paid had not been finally agreed upon before the works were started. This resulted, in a few instances, in disputes and extra claims by the contractors and eventual loss to Government. In the Central Provinces the practice of making payments for works to contractors before acceptance of agreement was of frequent occurrence, and the Local Administration directed the Superintending Engineers to issue suitable instructions with a view to put down entirely this irregular practice. In Bengal, the Local Government ordered that standing orders of the Department to secure tenders for all works before they are started should be carefully observed. The Burma Government issued instructions regarding the rates at which the cost of materials issued to contractors should be recovered in future, it being found that the rise in price due to the war since the contracts were signed had led to a good deal of confusion in the accounts. The following are some typical cases, others will be found in the appendix.

(*a*) (1) An expenditure of Rs. 44,700 was incurred to end of January 1918 without agreement with the piece-workers employed on a work.

(2) A building was completed and handed over to the District Board in March 1917. The work done by the piece-worker (total value Rs. 6,921) was finally measured in June 1917, and the final bill prepared in August 1917 was awaiting acceptance of the agreement, which was effected in March 1918.

(3) The total value of work done by a contractor in connection with the maintenance of a road during 1916-17 was Rs. 5,108-1-0, but the final bill could not be paid until the agreement was entered into in March 1918. The Local Government observed that the delay in getting out agreements was most unsatisfactory and that the Superintending Engineer should devise some means of avoiding the delays in future.

(*b*) In a special Division, a firm of contractors, whose tender for the construction of a new Collector's office was accepted in June 1909, were ordered to commence the work in anticipation of receipt of a tender in proper form and of an agreement. Eventually the Executive Engineer executed an agreement with an Engineer of the firm though he was not competent to do so. The plans and specifications, with reference to which work was actually done, were not definitely settled and attached to the tender and agreement, and the original contract was modified during the progress of the work to a larger extent than was originally contemplated. This resulted in disputes regarding specification, rates, and the parties competent to execute the contract. On the 8th April 1911, the work was closed by the firm who then claimed damages for breach of contract and payment at reasonable rates for the extra works they did. The case was finally settled before the Privy Council where, with the consent of Government a decree was granted in favour of the firm on

condition that £9,000 (or Rs. 1,35,000) and the taxed costs as well as other law charges amounting to Rs. 30,789-4-2 were paid by Government to the firm. The Local Government conveyed to the Executive Engineer, who was considered to be mainly responsible for the heavy loss to Government, an expression of their dissatisfaction, and also withheld his promotion to the rank of Superintending Engineer.

(c) A work estimated at Rs. 7,600 was completed and measured up in March 1917, and the final bill for the same was prepared in July 1917, but it was not passed for payment until October 1917, when the supplemental agreement was finally accepted by the Superintending Engineer. The Local Government drew the attention of the Executive Engineer to the remarks of the Audit Office that the execution of an agreement after the completion of the work is purposeless

(d) In connection with a work completed in July 1916, the final bill of the contractor was received in February 1917, and he had to be paid at higher rates than those originally agreed upon as he alleged that the previous Executive Engineer promised verbally on the 24th January 1916 to allow him higher rates The Local Government observed that both the Sub-Divisional officer and the Executive Engineer responsible for the irregularity having retired from service, no disciplinary action was considered necessary.

(e) Work to the value of Rs. 10,255-6-0 was executed without an agreement against a maintenance estimate for Rs 17,060, the first payment being made in May 1917 and the last in June 1917. The officer responsible was reported to the Local Government and for this and other irregularities was removed from the charge of the sub-division. *Burma.*

(f) In 8 cases the Executive Engineer had accepted a tender for the collection of metal on a certain road in excess of the limit (Rs. 5,000) of his power of acceptance. In three of these cases the amounts of the tenders were Rs. 17,181, Rs 13,712 and Rs. 11,814. The Chief Engineer remarked that such irregularities must be avoided in future. *Assam.*

(g) An estimate amounting to Rs. 26,010 for collection of bricks for a work was sanctioned by the Local Administration in 1914. The work of collection was given to a contractor before obtaining a formal tender from him. The only rate agreed upon in writing was the rate for 1st class bricks. A total amount of Rs 23,256-4-3 was paid to the contractor from time to time partly for bricks of which delivery had not been taken and partly for bricks still at the kiln, and after a good deal of dispute the contractor's final claim was settled out of court in March 1916. The total loss to Government in this connection amounted to Rs. 1,550, for the adjustment of which an estimate for loss of stock in the sub-division was sanctioned by the Superintending Engineer on the 11th May 1917. The Local Administration has intimated that the irregularity is being brought home to the officer concerned.

Irregular measurements. 50. The irregularities in this class consisted chiefly in entries being made in [illegible] the work actually performed and [illegible] noticed in which the entries in measurement books were made from bills, estimates or note-books or in which approximate or inaccurate measurements were recorded for work done, or no detailed measurements were recorded at all. In a few cases the irregularity resulted in overpayments to contractors.

(a) In three cases measurements taken by a sub-overseer in March 1917 were subsequently cancelled by the Sub-Divisional Officer. In tw[illegible] cases no work was found to have been done, while in the third [illegible] the work measured was included in the bills recorded elsewhere in the me[illegible] ment book. The Executive Engineer explained that the measurement[illegible] for work done previous to the sub-overseer's incumbency in the [illegible] The Sub-Divisional officer doubted the genuineness of the measurem[illegible] they were cancelled. The Local Government observed that the c[illegible] been settled by the Executive Engineer no further action was nec[illegible] records do not show that the [illegible] officer took any acti[illegible] sub-overseer.

Advance payments to contractors. *United Provinces.*

48. In connection with the construction of certain educational buildings the agreements with a firm of contractors provided for monthly payments in proportion to the work actually performed. In practice, however, the contractors were paid in advance the full estimated value of the works. This was done under the orders of the Local Government in the Education Department and no precautions were taken to safeguard Government against possible loss. The amounts thus advanced aggregated Rs. 8,32,172 to the end of 1917-18, and so far only one final bill amounting to Rs. 1,12,954-2-9 has been received by the Audit Office. The Local Government stated that the advances were of the nature of payments for materials 'at site' or 'in sight' while in some cases specific advances were authorised on their merits. It was also stated that precautions to secure Government against loss were not taken because they were unnecessary. At the instance of the Audit Office, however, the practice of making payments in advance has been discontinued from the 1st April 1918.

Want of, or irregularity in, agreements for the execution of Public Works.

49. Numerous instances came to notice in which works were commenced and in some cases even payments made, prior to the acceptance by competent authority of agreements with the contractors. In some instances the works had been completed and measured up and the final bills were pending payment for want of acceptance of the agreements. In some cases, the agreements were accepted by authorities who were not competent to do so. Cases were also noticed in which the rates to be paid had not been finally agreed upon before the works were started. This resulted, in a few instances, in disputes and extra claims by the contractors and eventual loss to Government. In the Central Provinces the practice of making payments for works to contractors before acceptance of agreement was of frequent occurrence, and the Local Administration directed the Superintending Engineers to issue suitable instructions with a view to put down entirely this irregular practice. In Bengal, the Local Government ordered that standing orders of the Department to secure tenders for all works before they are started should be carefully observed. The Burma Government issued instructions regarding the rates at which the cost of materials issued to contractors should be recovered in future, it being found that the rise in price due to the war since the contracts were signed had led to a good deal of confusion in the accounts. The following are some typical cases, others will be found in the appendix.

Madras.

(*a*) (1) An expenditure of Rs. 44,700 was incurred to end of January 1918 without agreement with the piece-workers employed on a work.

(2) A building was completed and handed over to the District Board in March 1917. The work done by the piece-worker (total value Rs. 6,921) was finally measured in June 1917, and the final bill prepared in August 1917 was awaiting acceptance of the agreement, which was effected in March 1918.

(3) The total value of work done by a contractor in connection with the maintenance of a road during 1916-17 was Rs. 5,108-1-0, but the final bill could not be paid until the agreement was entered into in March 1918. The Local Government observed that the delay in getting out agreements was most unsatisfactory and that the Superintending Engineer should devise some means of avoiding the delays in future.

(*b*) In a special Division, a firm of contractors, whose tender for the construction of a new Collector's office was accepted in June 1909, were ordered to commence the work in anticipation of receipt of a tender in proper form and of an agreement. Eventually the Executive Engineer executed an agreement with an Engineer of the firm though he was not competent to do so. The plans and specifications, with reference to which work was actually done, were not definitely settled and attached to the tender and agreement, and the original contract was modified during the progress of the work to a larger extent than was originally contemplated. This resulted in disputes regarding specification, rates, and the parties competent to execute the contract. On the 8th April 1911, the work was closed by the firm who then claimed damages for breach of contract and payment at reasonable rates for the extra works they did. The case was finally settled before the Privy Council where, with the consent of Government a decree was granted in favour of the firm on

condition that £9,000 (or Rs. 1,35,000) and the taxed costs as well as other law charges amounting to Rs. 30,789-4-2 were paid by Government to the firm. The Local Government conveyed to the Executive Engineer, who was considered to be mainly responsible for the heavy loss to Government, an expression of their dissatisfaction, and also withheld his promotion to the rank of Superintending Engineer.

(c) A work estimated at Rs. 7,600 was completed and measured up in March 1917, and the final bill for the same was prepared in July 1917, but it was not passed for payment until October 1917, when the supplemental agreement was finally accepted by the Superintending Engineer. The Local Government drew the attention of the Executive Engineer to the remarks of the Audit Office that the execution of an agreement after the completion of the work is purposeless

(d) In connection with a work completed in July 1916, the final bill of the [illegible] no disciplinary action was considered necessary.

(e) Work to the value of Rs. 10,255-6-0 was executed without an agreement against a maintenance estimate for Rs 17,060, the first payment being made in May 1917 and the last in June 1917. The officer responsible was reported to the Local Government and for this and other irregularities was removed from the charge of the sub-division. *Burma.*

(f) In 8 cases the Executive Engineer had accepted a tender for the collection of metal on a certain road in excess of the limit (Rs. 5,000) of his power of acceptance. In three of these cases the amounts of the tenders were Rs. 17,181, Rs 13,712 and Rs. 11,814 The Chief Engineer remarked that such irregularities must be avoided in future. *Assam.*

(g) An estimate amounting to Rs. 26,040 for collection of bricks for a work was sanctioned by the Local Administration in 1914. The work of collection was given to a contractor before obtaining a formal tender from him. The only rate agreed upon in writing was the rate for 1st class bricks. A total amount of Rs 23,256-4-3 was paid to the contractor from time to time partly for bricks of which delivery had not been taken and partly for bricks still at the kiln, and after a good deal of dispute the contractor's final claim was settled out of court in March 1916 The total loss to Government in this connection amounted to Rs. 1,550, for the adjustment of which an estimate for loss of stock in the sub-division was sanctioned by the Superintending Engineer on the 11th May 1917. The Local Administration has intimated that the irregularity is being brought home to the officer concerned.

50. The irregularities in this class consisted chiefly in entries being made in measurement books of quantities in excess of the work actually performed and of work not actually carried out. Cases were noticed in which the entries in measurement books were made from bills, estimates or note-books or in which approximate or inaccurate measurements were recorded for work done, or no detailed measurements were recorded at all. In a few cases the irregularity resulted in overpayments to contractors. **Irregular measurements.**

(a) In three cases measurements taken by a sub-overseer in March 1917 were subsequently cancelled by the Sub-Divisional Officer. In two cases no work was found to have been done, while in the third case the work measured was included in the bills recorded elsewhere in the measurement book. The Executive Engineer explained that the measurements were for work done previous to the sub-overseer's incumbency in the section. The Sub-Divisional officer doubted the genuineness of the measurements and they were cancelled. The Local Government observed that the case having been settled by the Executive Engineer no further action was necessary. The records do not show that the Executive Engineer took any action against the sub-overseer. *United Provinces.*

(*b*) In one Division, some of the measurements recorded by sub-overseers when checked by the Sub-Divisional officer, were found to be excessive. Five sub-overseers were involved. One was discharged by the Executive Engineer for this and other irregularities. Of the others still in service, the Local Government accepted the explanation of three, and ordered that the fourth, whose explanation was unsatisfactory, should get no travelling allowance for two months which involved a penalty of Rs. 30.

(*c*) In three cases it was found that measurements entered in a measurement book by a sub-overseer were not recorded at the site of the work. In two of the cases the entries were copied from the sanctioned estimates and in the third from a note book which had been written up ten months before. The Local Government directed that the sub-overseer should be warned and an entry should be made in his personal register. They subsequently ordered that he should be fined one month's pay.

Punjab.

(*d*) A contractor was paid his sixth running bill for the supply of bricks, etc., on the 7th December 1910, and the total amount paid to him including this bill was Rs. 12,913. After an interval of about 6½ years during which period no other bill was paid, the final bill of the contractor was prepared in June 1917 for a total up to date amount of Rs. 7,745-5-0, thus necessitating a recovery of Rs. 5,167-11-0 which was effected from the other dues of the contractor. In the sixth running bill 6,25,000 special bricks valued at Rs. 8,750 were entered as received up to date at the rate of Rs. 14 per thousand. In the final bill only 1,00,000 bricks aggregating to Rs. 1,055 in value were finally taken over from the contractor. The following further facts were elicited in this connection :—

(i) that the details were entered in measurement book on the 11th August 1913;

(ii) that there was no evidence as to how the classification of 100,000 special bricks was arrived at ; and

(iii) that out of the total number of 255,472 ordinary bricks only 92,000 bricks were actually counted by stacks, the balance was verified from issues shown in the stock register.

The orders of the Local Government, who have called for a full report, are awaited.

(*e*) The measurement entries made by a subordinate for Rs. 54-13-9 were found to be false on enquiry by the Sub-Divisional Officer and were subsequently cancelled. Final orders of Local Government are awaited.

(*f*) Payment of 630 maunds lime at Re. 1 per maund was made on the 11th February 1917, by a Sub-Divisional Officer against 475 maunds actually supplied by the contractor on the 5th January 1917. It appeared that the Sub-Divisional officer had made an entry of 630 maunds in his measurement book against 475 maunds acknowledged by the subordinate in his stock register, and that an entry of the carriage of 475 maunds only had first been made in the measurement book which was subsequently altered by him to 630 maunds. The Chief Engineer debarred the Sub-Divisional Officer from holding charge of a sub-division for two years. The Local Government confirmed these orders.

(*g*) In the course of audit an overpayment of Rs. 1,112 to a contractor was noticed in running bills which appeared to show that the work had been measured. The overpayment was deducted in the final bill. The matter was reported to the Local Government who ascertained that the overpayment was due to the omission of the Sub-Divisional Officer to measure, before payment was made, the quantity received. The Sub-Divisional Officer concerned was warned.

(*h*) Measurements of a work consisting of pucca masonry and earthwork were recorded by a subordinate. They were final as regards pucca masonry only, but not as regards earthwork. On completion of the earthwork final measurements were taken by another sub-overseer and checked at site by the Sub-Divisional Officer, but in the measurement book the situation of the work, the number and date of work order and the fact that these measurements were final were omitted. The Sub-Divisional clerk taking advantage of these

omissions obtained pay orders of the Sub-Divisional Officer on both entries and got both of them paid on the 16th October 1916, as two separate items quoting a fictitious work order against the latter entry. The overpayment amounted to Rs. 220-3-0, and was recovered in December 1916. As a punishment the clerk was reverted to his substantive [illegible] of signaller. The Local Government asked [illegible] make a suitable entry in the character sheet [illegible] to note the previous reference in the measurement book. The Sub-Divisional Officer was also held to be in fault and was censured. The punishment awarded to the clerk seems to be inadequate.

(i) The entries on 107 pages of a measurement book, of which 92 pages contained measurements of earthwork and 15 pages of sundry items of supplies, were made by a sub-overseer in one day, *i.e.*, on the 11th September 1916 The record of measurements over 107 pages of the measurement book in one day was considered impossible. The Local Government ordered the Superintending Engineer to make a suitable entry in the character book of the subordinate.

(j) Works undertaken by a firm of contractors were paid for on the firm's bills without any check by Public Works Department officers. This resulted in an overpayment of Rs. 7,399-10-0 which was detected when the final bill was paid and the detailed measurements of works were taken and checked. The excess payment has since been adjusted against the [illegible] of the contractors. The matter [illegible] ment, who, in consideration of [illegible] the rules regarding works establishment, ordered the postponement of the next increment of the Executive Engineer until they were satisfied that he had overcome the failings which had manifested themselves during the year 1917. *Bihar and Orissa.*

51. Discrepancies between the dates of measurements of works done or materials received as recorded in measurement books and as shown in the travelling allowance journals of the officer, who took the measurement, were noticed in some cases. The explanation mostly was that the entry in the measurement book was not made on the spot on the date noted but was copied thereinto from other records. The Bengal Government issued orders impressing on the officers concerned the necessity for disclosing in their measurement books all the facts relating to measurements and dates of measurements. Simliar instructions coupled with the order that officers should invariably take the measurement books with them whenever they go to inspect or measure a work and should note measurements in original in the measurement book on the spot, as also the date of such measurements, should prevent this irregularity which has been repeated in practically every province every year. This is an important matter because the discrepancy raises doubts whether the measurements, which must be the basis of any payment, were ever made. These doubts are increased when nearly all the cases are found to occur in March when the temptation is greatest to pay money without proper proof of work done. It seems desirable that, whenever facts come to light which cast grave doubts as to the correctness of an allegation that a measurement has been made, the work or material in question should be re-measured. A few instances of the discrepancies referred to are given below. **Discrepancies between measurement books and travelling allowance journals.**

(a) According to his travelling allowance journal, a Sub-Divisional officer was at his headquarters on the 25th March 1917, but his measurement book [illegible] on that day at two [illegible] explained that he [illegible] the preceding day [illegible] The material to be [illegible] nd was verified and tested at headquarters The Sub-Divisional officer was warned by the Superintending Engineer. The Local Government requested the Superintending Engineer to issue orders to all Executive Engineers under him, to impress on their subordinates the necessity for disclosing in their measurement book all facts relating to measurements and dates of measurements and verification. *Bengal.*

(*b*) According to his travelling allowance bill, a sub-overseer was at his headquarters on the 14th March 1917, but the measurement book showed that he verified certain materials on that day at a different station. The materials were checked by the Sub-Divisional officer, and his signature was dated the 15th March 1917, but his travelling allowance bill for March 1917 showed that he was at his headquarters on that date at a distance of over 13 miles by road from the site of the work. The Sub-Divisional officer explained that the materials were actually checked by him on the 25th February 1917, but he had no measurement book with him at the time. The sub-overseer explained that 14th March 1917 was the date of submission of bill and not of the verification of the materials. The Local Government remarked that it was most unsatisfactory that the Sub-Divisional officer or the sub-overseer should have visited an outstation for the purpose of carrying out duties which comprise measuring up work or checking bills, without taking a measurement book with him.

United Provinces. (*c*) A sub-overseer made entries on the 28th March 1917 covering 30 pages of his measurement book, which if made at site of the work would have involved a road journey of approximately 55 miles. His travelling allowance journal, however, showed that on that date he claimed allowance for a road journey of 21 miles. The Local Government did not consider the explanation of the subordinate to be satisfactory, and he was fined Rs. 30, a month's pay.

Punjab. (*d*) In his travelling allowance journal, a supervisor stated that on the 25th July 1917, he travelled 18 miles to a certain place and back, whereas in his measurement book he showed measurements taken on that date at a place 54 miles distant lying in a different direction. The Local Government has warned the supervisor.

Burma. (*e*) A sub-overseer recorded in his measurement book that he took measurements of a bridge on the 27th March 1917, and that on the same day he measured a building in another station. His travelling allowance bill, however, showed that he was at headquarters on the above date. The subordinate explained that during the month when he visited the above two places he took with him the estimates for the works and checked the measurements with them. Later on he copied these details from the estimates into the measurement book under instructions from the Sub-Divisional officer. This was irregular, and on the irregularity being reported to the Local Government, the Superintending Engineer issued necessary instructions to all Executive Engineers in his circle.

(*f*) (i) A temporary lower subordinate recorded in his measurement book that on the 28th March 1917 he took certain measurements at a certain station. His travelling allowance bill, however, showed that on that day he did not stop at that station but travelled through.

(ii) The same subordinate recorded in his measurement book on the 27th February 1917 measurements taken at a certain station, but his travelling allowance bill showed that he was not at that station on that day.

The promotion of the subordinate to the permanent establishment was stopped.

Assam. (*g*) Certain measurements were shown in the measurement book as taken by a Sub-Divisional officer on the 10th March 1917 at a certain station, while his travelling allowance journal showed that on that particular day he was at two different stations, 26 miles and 42 miles away, respectively. The Executive Engineer explains that the Sub-Divisional officer has a motor car, but as no bill much above Rs. 200 per month for his travelling allowance is usually passed by him as Controlling Officer, the Sub-Divisional officer showed a short journey in his travelling allowance bill although he actually performed a longer one. The Chief Engineer remarked that the Executive Engineer's explanation may be accepted but such an anomaly must be avoided in future and the Sub-Divisional officer should enter in his travelling allowance journal the actual travelling performed by him. It is difficult to say that this explanation ought not to have been accepted, but it can hardly be regarded as satisfactory.

Insufficient attention to the financial interests of Government.

Madras.

52. (*a*) In a certain Division, a contractor was ordered to collect materials for a groyne work; stone jelly was accordingly collected by the contractor between February and April 1916. In spite of the contractor's requests in April and May 1916, the heaps of jelly collected were not measured before floods came down in June 1916 when submergence of the materials rendered measurement impossible. After a protracted correspondence, Rs. 1,260 was eventually paid to the contractor although no measurements had been taken. The Local Government stated that the officers responsible had been warned.

(*b*) A payment of Rs. 2,631 was made in August 1916 to a certain firm in Calcutta, for the supply of a Gardiner engine with pump, etc., before it was tried and found to be in working order. Later on, when it was examined and tried it proved unsuitable for the portable work for which it was originally obtained. On a report of the Superintending Engineer that the engine would probably work satisfactorily if another new carburettor were fitted to it and that it could then be used elsewhere, the Local Government have finally recorded the case. The latest information is that it is working very inefficiently and is therefore used as little as possible. No disciplinary action was taken by the Local Government as the officer concerned was on military duty.

Loss to Government occasioned by want of care on the part of responsible officers.

53. In the following cases, losses were occasioned to Government by the want of care or reasonable foresight on the part of responsible Government officers:—

Bombay

(*a*) In a certain Irrigation district, a contract for fishing rights etc., were given to certain contractors for the year 1916-17 for Rs. 3,250 to be realised in four instalments between the 20th June 1916 and 20th March 1917. The conditions of the contract were not duly enforced. Rs. 812-8-0 only were recovered during 1916-17 and Rs. 1,437-8-0 during 1917-18 by end of September 1917, and a balance of Rs. 1,000 remained outstanding. It was alleged that the Executive Engineer joined the Division after the close of the season and could not enforce the conditions of contract, and that the system of recovering amounts due on contracts for fishing rights, etc., in instalments was defective. The system was abolished, and the Local Government accepted the explanation and sanctioned the remission of the loss of Rs. 1,000. It is not apparent why the previous Executive Engineer could not have enforced the conditions of the contract.

Burma.

(*b*) The Local Government permitted the Police Sub-Divisional officer's quarters at a certain station to be occupied by an Inspector of Police rent-free until he was promoted to the rank of Deputy Superintendent of Police or until he was relieved by a Deputy Superintendent or Assistant Superintendent. This condition came to be overlooked, as the occupant continued to be shown in the Divisional rent return as the Headquarters Assistant and not as Deputy Superintendent to which rank he had received promotion. The officer in question pleaded ignorance of the conditions. No copy of the above mentioned sanction was sent to him, nor was his promotion intimated to the Executive Engineer. In the circumstances the arrear rent due from the officer from 6th October 1913 to 31st May 1917 amounting to Rs. 878-5-1 was remitted by the Local Government. They have been asked to intimate such sanctions to all officers concerned in future. The action taken in the Audit Office in this case is being investigated.

(*c*) Shortages to the value of Rs. 646-6-2 [illegible] and plant returns of a sub-division, the amour [illegible] orders of the Local Government. Complete re [illegible] but the officer who was held responsible for shortages to the extent of Rs. 203-15-0, a temporary upper subordinate with 29 years' service, was censured by the Local Government.

Bihar and Orissa

(*d*) Bricks were collected for a work and paid for in 1911 and 1912. In 1914 a firm was given a contract for their cartage from the brick field to the site of the work. This work of cartage was measured in May 1915. Disputes arose regarding the claims of the contractors, and the Executive Engineer ordered that the bricks be counted in proper stacks after classification. This was not done and the bill was paid. Six months after the Superintending Engineer ordered the contractors to restack the bricks properly at their own

cost. The contractors refused stating that the Sub-Divisional officer lived close to the field in which the bricks were being stacked and inspected the works almost daily, and that the Executive Engineer inspected the stacking on several occasions, and neither officer had then raised any objection. Then the Superintending Engineer reversed his orders and sanctioned an estimate of Rs. 1,683 for restacking the bricks. A year afterwards the Sub-Divisional officer, who was then in charge of the sub-division counted the bricks and reported that there was a shortage of about 16 lakhs of bricks resulting in a loss of Rs. 15,000 approximately. The matter has been reported to the Local Government and their orders are awaited.

Frauds and defalcations occasioned by negligence.

54. A case of a fraud, involving a large amount, was detected happily in time in the Delhi Province during the year, the fraud being rendered possible by the non-observance of rules on the part of the departmental officers.

Delhi.

A cheque for Rs. 27,200-9-0 in favour of a local firm was sent by a Sub-Divisional officer to the payee by post, in contravention of the rules in paragraph 974, Public Works Department Code. The despatcher of the Sub-Divisional office made over the stamped and sealed cover containing the cheque to a daftri for registration by the post office. The daftri had the cover registered, but afterwards got it back from the post office and had the registration receipt cancelled. The despatcher failed to see and check the registration receipt. The daftri altered the name of the payee, and forged the signature of the Assistant Audit Officer to attest the alteration. The daftri then presented the cheque at the Bank and obtained payment. The following day the Sub-Divisional officer learnt that the cheque had not reached the firm, and on enquiry found that the cheque had been cashed by the daftri. The daftri was arrested and Rs. 27,010 recovered. He was sentenced to 2 years' rigorous imprisonment, 3 months to be in solitary confinement, and to pay a fine of Rs. 500 or in default to undergo 6 months' rigorous imprisonment. The postal officials, who irregularly cancelled the receipt of the registered letter, were severely punished by the postal authorities. The matter was reported to the Local Administration who in the special circumstances of the business conducted by the Sub-Divisional officer considered no punishment against him justifiable. They, however, drew his attention to the necessity for strict conformity with the rules. The despatcher's pay was reduced from Rs. 42 to Rs. 40 with effect from the 1st August 1918 and his annual increments stopped until further orders. Necessary steps were also taken to avoid the recurrence of such frauds.

[Irreg]ularities in connection with materials-at-site accounts.

55. Several cases were noticed in which the value of materials was charged off to final sub-heads of estimates before they were actually used, instead of to materials-at-site accounts. Cases also came to notice in which the materials-at-site accounts continued to show materials which had already been used up, or in which the accounts did not show all the materials remaining at the site. In the United Provinces materials-at-site accounts were often debited with the cost of articles intended for use on other works. In a few instances in Madras the accounts were not submitted to the Divisional office for months together and the failure to render proper accounts of the transactions at the time they occurred, led to delay in the disposal of surplus materials and loss to Government. In January 1919, the Madras Government issued general instructions as to the upkeep of materials-at-site accounts.

United Provinces.

The materials-at-site account of a work, for which a completion report had been submitted, showed a balance of Rs. 460, though there were no materials at site. This was due to the practice in the division to charge off the value of all materials to the final sub-heads of the estimate before they were used, instead of to materials-at-site accounts. The Local Government warned the Sub-Divisional officer concerned, but inflicted no further punishment, as his duty allowance of Rs. 50 a month had already been stopped for six months in connection with the irregularity mentioned in paragraph 41 (*e*) above.

Shortage of stock and of materials-at-site.

56. A few instances came to light of shortages of stock and of materials-at-site, and of omissions to verify them. Two are mentioned below and one in the appendix.

(a) On the occasion of the transfer of charge of a sub-division in June 1917 stock in the charge of the storekeeper was found short. In August 1917 the Superintending Engineer while sanctioning their write-off ordered the recovery of Rs. 711-12-0 from the storekeeper on account of the value of the stores missing, and charged off the balance of Rs. 5,659 to the works concerned. Subsequently other stores to the value of Rs. 3,491-1-2 were found to be missing and the storekeeper was also held responsible for this amount. The relieved Sub-Divisional officer certified in the return for the half-year ended 31st March 1917 that he had counted the stock and initialled every item of the closing balances in token of check. His services having already been dispensed with, the storekeeper was dismissed and the loss due to his fault written off by the Local Government. The Superintending Engineer has also proposed with the approval of the Local Government that a surprise check of certain items of stores should be made by the Executive Engineer. *Punjab.*

(b) The balance of 208¾ barrels of cement valued at Rs 3,441-11-1 at the end of July 1917 in the materials-at-site accounts of a project, was certified as correct by the store munshi in charge. A week afterwards, the Sub-Divisional officer counted the stores and found a shortage of 128 barrels. The munshi was taken into custody and admitted having sold the cement at various times. It transpired that 500 barrels of cement were originally purchased in 1916 and no evidence was found on record that any count of these had ever been made by a member of the Engineer Establishment. The store munshi was sentenced to a year's rigorous imprisonment and to pay a fine of Rs. 1,450-8-0 or in default to undergo a further term of 3 months' rigorous imprisonment. The fine has not so far been recovered. The Local Administration has sanctioned the write-off of the loss. The question of the responsibility of the higher officers does not appear to have been considered by the Local Administration. *Baluchistan.*

57. The tendency on the part of executive officers to spend Government money on private works, prior to receipt of the necessary [illegible] the bodies concerned, still continues in some provinces. I [illegible] growing less but is not entirely absent, in spite of the re[illegible] the Local Government prohibiting them from doing so. So[illegible] palities in that province have failed to meet their liabilities on prescribed dates. **Work done for local** [illegible]

(a) (i) An expenditure of Rs. 30,604 was incurred during the year on a water supply scheme in excess of the contribution—Rs. 26,610 was paid by the Municipal Council in March 1918 and the balance was paid in August 1918.

(ii) A sum of Rs. 47,831 was spent in excess of contribution during the year 1917-18 on a water supply scheme. The amount has not yet been recovered from the Municipal Council concerned.

(b) An expenditure of Rs. 3,129 was incurred during 1916-17 on extra work done on the building of a school prior to the receipt of the contribution. [illegible] nction to the payment and to the amount [illegible] Advances' pending recovery from the [illegible] tention of the Executive Engineer to his [illegible] e Local Government permitted the recovery of the amount due from the school in five annual instalments commencing from the year 1918-19.

(c) The amount due from a municipality for work done during 1913-14, in connection with a water supply scheme, was Rs. 66,898. Out of this amount, Rs. 50,000 were adjusted from a loan sanctioned by the Local Government in February 1916, and certain erroneous debits were adjusted in the supplementary accounts for March 1916. A further grant-in-aid of Rs. 7,111 for the work was sanctioned by the Government in July 1917, and a balance of Rs 3,555 is still to be recovered from the municipality. The Local Government have not yet issued final orders as to how the recovery is to be effected.

[illegible] in assessment of rents for residential buildings [illegible] Government In Burma, the loss was [illegible] completion reports on works in con- **Delay in assessment of rents for residential buildings.**

Bombay. (a) (i) In one case, rent was not assessed until January 1918, for the portion of a Magistrate's Court which had been occupied as a private residence by the Magistrate since September 1913. The reason given by the Executive Engineer for the non-assessment of rent for four years was that the Sub-Divisional Officer did not include in the monthly list of buildings under occupation the quarters in question. The omission was due to the fact that certain additions and alterations proposed in December 1913 to make the portion of the court suitable for residential purposes were not sanctioned, and it was thought that the building was not suitable for occupation without the proposed additions. The building was not originally intended as a residence. Arrears of rent from 19th September 1913 to 25th July 1917 for varying periods due from four officers amounted to Rs. 796-2-11. The amounts due have since been recovered. The irregularity was brought to the notice of Government. The Superintending Engineer has warned the Executive Engineer against the repetition of an irregularity of this kind in future.

(ii) In another case, the rent statement of an Executive Engineer's bungalow sanctioned in February 1908, provided for the deduction of a portion of the capital cost as a part of the building was used for office purposes even though a separate office had been constructed for the Executive Engineer in 1903-04. Consequent on the introduction of the note under Rule I (f), Public Works Code I, paragraph 919, under Standing Order No. 245, dated 2nd May 1911, this deduction was not permissible as separate office accommodation had previously been provided for the Executive Engineer, and the rent of the bungalow had to be revised. The omission was brought to the notice of Government in March 1917, when the question of revision of rent came up for consideration in connection with certain additions and alterations to the building. The rent of the bungalow has been revised and steps have been taken to recover the arrears of rent due from 29th September 1916 (*i.e.*, 6 months prior to the date of challenge by the Audit Office). The Local Government propose to obtain the sanction of the Government of India to the remission of the rent due prior to this period, *viz.*, from 2nd May 1911 (the date of issue of the Standing Order to the Code rule) to 28th September 1916 (six months prior to challenge by Audit).

(b)(i) The expenditure as per supplementary accounts for March 1916 on the reclamation of the compound of an officer's quarters amounted to Rs. 8,527, the work being shown in the monthly accounts submitted to the Audit Office as 'in progress.' As, however, no further expenditure on the work was incurred, an enquiry was made by the Audit Office from the Executive Engineer concerned in September 1916, and it appeared in October 1916 that the work had been completed in March 1916 and that the completion report was to be submitted. The completion report was received in October 1916, but no revised rent assessment statement was submitted by the Executive Engineer till July 1917, and it was accordingly only on the 9th August 1917 that the officer occupying the quarters was assessed to the extent of Rs. 370-8-0 as arrears from 1st April 1916. That officer, however, protested, and a sum of Rs. 234 was written off by the Local Government in the Public Works Department, this sum representing increased rent from 1st April 1916 to the date 6 months previous to 9th August 1917 when he was informed of the increase in rent. At the instance of the Audit Office, the Local Government issued instructions for the prompt submission of completion reports and revised rent assessment statements in future, and at the same time special orders were issued by the Audit Office to ensure that rent assessment statements were called for promptly in future.

(ii) An expenditure of Rs. 3,870-10-2 was incurred to end of March 1914 (when the work was completed) on installation of electric lights and fans in the quarters of a General Officer Commanding against which the Executive Engineer recovered rent at Rs. 26 per mensem on a provisional rent statement. The completion report for the work was received in the Audit Office from the Executive Engineer in August 1914, but no rent assessment

statement was submitted by him, nor was it called for by the Audit Office till September 1916 When the statement was prepared by the Executive Engineer, it had to be revised twice, and the correct rate of rent was assessed and recovered only with effect from the 1st September 1917. The arrears from the 1st March 1914 to the 31st August 1917, amounting to Rs 181-10-9, were written off by the Local Government. The building was vacant for a portion of this period.

As the loss in these two cases was due to the delay in the preparation of the revised rent assessment statement, which was not submitted till long after the completion of the work, the responsibility of the Executive Engineer seems to need further consideration.

The responsibility of the Audit Office for the failure to call for revised rent assessments in the above two cases is under consideration.

Irregular use of Government property, and expenditure not on a public object. Punjab

59. [illegible] d *jawar* cultivated in the compoun [illegible] pay the value of the water used to [illegible] is subsequently recovered. The Superintending Engineer ordered that in future the growth of fodder crops in the office [illegible] must be stopped. The [illegible] ic Works Departme [illegible] ill not be allowed.

Irregular payment of allowance to a pensionable Government servant. Assam.

60. In the course of the local inspection of the Civil Works accounts of a Deputy Commissioner, it was noticed that a carpenter who held a pensionable Government post of Rs. 80 under the Education Department as Instructor of the local Technical School was paid Rs. 10 per mensem, as a carpenter on the work establishment of the Deputy Commissioner by charge to 'Annual Repairs to Roads and Inspection Bungalows.' The arrangement by which the carpenter received this allowance from the Public Works Department appeared to have been in existence for some years. The only work done by the man for the Public Works Department was occasionally to cut panes of glass. The allowance has been discontinued.

Delays in the settlement of objections. United Provinces.

[illegible] months to submit to the Sup- [illegible] ort on the accounts [illegible] er remarked that the [illegible] who should be warned. The Local Gover [illegible] the Executive Engineer, and added t [illegible] entry in a report was a sufficient punishment.

A similar delay in the disposal of a previous report of the same office was noticed in paragraph 49 (*d*) of Comptroller-General's Audit and Appropriation Report for 1915-16.

Delays in the recovery of Government dues. Burma.

62. Owing to a defective system, in the office of the Executive Engineer, of watching recoveries (and remissions as allowed by the Deputy Commissioner against assessments made by the Executive Engineer) a sum of Rs. 11,445, relating to the years 1914 to 1917, was found to be outstanding in the books of the Executive Engineer. A system has now been devised which will probably obviate such delays in recovery in future. The Deputy Commissio [illegible] 1,400 has been recovered, [illegible]

62-A. [illegible] appendix.

Posts and Telegraphs.

Percentage of objections to total expenditure.

63. The following statement shows the gross amount of objections raised in the Posts and Telegraphs Department during the year under review, the net amount of objections representing infringements of financial rules, the amount

of expenditure audited, and the percentage which the net objections bear to the total expenditure :—

			Rs.
1.	Total amount placed under objection . . .		1,02,29
2.	*Deduct*—Amount relating to Debt heads including suspense	59,76	
3.	Amount placed under objection for want of detailed contingent bills . .	14,18	
			73,94
4.	Net expenditure placed under objection which represents deviation from rules		28,35
5.	Total expenditure debited to service heads audited during the year		4,92,95
	Percentage of Objections (item 4) to Expenditure (item 5) .		5·75

Comparison with 1916-17. The corresponding percentage for the preceding year was 2·64. The large increase as compared with the preceding year was due mainly to (*a*) the increase in the amount under objection on account of expenditure in excess of sanctioned estimates mainly attributable to the increased cost of stores and enhanced rates of labour which was not anticipated at the time of framing the original estimates, (*b*) change of rate of conversion of British postal orders from September 1917, (*c*) late receipt of Treasury and Treasury Suspense accounts of two Post Offices on account of which 16,44 was placed under objection out of which 13,58 has been adjusted up to August 1918, and (*d*) an item of 1,43 relating to a payee's receipt which has since been adjusted.

Analysis of Outstanding Objections.

Balance of objections on the 31st July 1918. 64. The following statement shows the balances of objections raised up to the 31st March 1918, but remaining *unadjusted* on the 31st July 1918, in the Post Office and Indian Telegraph Traffic and Indo-European Telegraph Departments.

	Items awaiting clearance.		Service payments for recovery.	Total.	Total on 31st July 1917.	Increase+ Decrease—
	For want of detailed counter-signed bills.	For other reasons.				
Post Office and Indian Telegraph Traffic .	49	3,59	11	4,19	1,82	+2,37
Indo-European Telegraph	...	20	7	27	25	+2
Total .	49	3,79	18	4,46	2,07	+2,39

Comparison with 1916-17. The increase of 2,37 in the Post Office and Indian Telegraph Traffic Department, as compared with the similar figure for the preceding year, was mainly due to a sum of 1,43 placed under objection in respect of a payee's receipt referred to in the previous paragraph and to an expenditure of 17 on establishment and travelling allowance charges of a Base office for June to September 1917 which awaits sanction of the Director-General.

65. The following statement shows the outstandings according to the years to which they relate :— **Classification of outstandings according to years.**

	Relating to 1915-16, and previous years		Relating to 1916-17.		Relating to 1917-18		Total.	
	No. of items.	Amount.	No. of items.	Amount	No. of items	Amount.	No. of items	Amount
Post Office and Indian Telegraph Traffic { 31st July 1917	137	29	1,180	1,53	...	...	1,317	1,82
Post Office and Indian Telegraph Traffic { **31st July 1918**	**30**	**3**	**128**	**10**	**2,374**	**4,06**	**2,532**	**4,19**
Indo-European Telegraph { 31st July 1917	...	...	409	25	..	..	409	25
Indo-European Telegraph { **31st July 1918**	...	..	**73**	**6**	**379**	**21**	**452**	**27**
Total { 31st July 1917	137	29	1,589	1,78	..	...	1,726	2,07
Total { **31st July 1918**	**30**	**3**	**201**	**16**	**2,753**	**4,27**	**2,984**	**4,46**

The one item outstanding for 1914-15 represents an advance for the purchase of a horse granted to an official on field service who was made a prisoner by the Turks. The outstandings for 1915-16 represent mainly amounts drawn without requisite sanction of which the greater part has since been adjusted.

The outstandings relating to 1916-17 in the Post Office and Indian Telegraph Department represent chiefly amounts held under objection for want of detailed countersigned bills and other reasons of which 7 have since been adjusted. In the Indo-European Telegraph Department they represent chiefly establishment charges drawn in the field without the requisite sanction. Nearly the whole of these has since been adjusted.

The objections for 1917-18, outstanding on the 31st July 1918, are classified as follows:—

Want of sanction	3,08
Want of detailed countersigned bills	45
Want of vouchers and documents	44
Service payments for recovery	15
Other objections	15
Total	4,27

The high figures under 'Want of Sanction' were due mainly to the delay in sanctioning a large number of establishment charges drawn in the field without the previous sanction of the Director-General, Posts and Telegraphs. In the case of Base Post Offices working under war conditions, it is not possible to defer entertainment of men till the sanction of the Director-General has been received.

66. The following statement shows the balances of objections outstanding on the 31st July 1918 in the Indian Telegraph Engineering Department. The figures of the preceding year are also given for the purpose of comparison:—

Heads of objection	Relating to 1916-17, and previous years		Relating to 1917-18		Total	
	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
Excess over estimate (covered by Administrative sanction).	...	...	17	51	17	51
Want of Estimate	...	...	1	2	1	2
Excess over appropriation	...	..	5	7	5	7
Miscellaneous irregularities	3	(a)	320	36	323	36
Total { 1917-18	3	(a)	343	96	346	96
Total { 1916-17	259	43	...	...	259	43

(a) Amount less than one thousand.

Comparison with 1916-17.

The increase of 53 in the balance outstanding on the 31st July 1918, as compared with the similar figure of the preceding year, was partly due to the North-Western Railway having charged freight for the carriage of telegraph stores required for the construction of Nushki-Dalbandin line at Tariff rates instead of at the engineering rates and partly to the heavy expenditure incurred, particularly in the Southern Engineering Circle, in excess of the sanctioned estimates, apparently on account of the increase in cost of materials and rates of labour, over those anticipated at the time of preparation of the original estimates.

Analysis of outstandings according to years.

67. Out of three items for 1916-17, one is on account of want of detailed information in a travelling allowance bill and the other two represent excess charged on Railway credit notes.

Of the total outstandings for 1917-18, 45 under 'Excess over Estimates' and 7 under 'Excess over Appropriation' have since been adjusted. The bulk of the outstandings under 'Miscellaneous Irregularities' represent over-charges on Railway freight bills.

Financial Irregularities.

Frauds in Post Office–Bogus money order payments.

68. (a) A bogus money order for Rs. 175, was paid by a post office. The fraud came to light when the audit office found no credit for the amount in the accounts of the ostensible office of issue. The bogus money order bore all the necessary stamps, but the initials of the money order clerk and the signature of the Sub-Postmaster appeared to have been forged. The police arrested two culprits who were tried in the court and discharged. The question of recovering the amount from the officials whose negligence facilitated the fraud is under consideration.

(b) Two bogus money orders for Rs. 350 and Rs 495, were received at a post office. The first was paid on the date of its receipt. But before the second one was paid, the money order clerk happened to notice a discrepancy in its serial number, which aroused suspicion. An enquiry showed that the money order was bogus and that the payee was a former Head Postman of the ostensible office of issue, who had been convicted and dismissed. The culprit was arrested and subsequent enquiries showed that the first money order for Rs. 350 paid to the accused was also bogus. The court ordered the recovery of this amount from the accused's property. The Postmaster General ordered that the amount should be recovered from the two officials in the Post Office of issue, who contributed a good deal to the perpetration of the frauds by their carelessness.

Double payment of a money order.

69. A money order dated 11th February 1916 for Rs. 20 was paid twice owing to two advices for the same having been issued. The second payment was ordered by the Postmaster General to be recovered from the official at fault in four instalments.

Double claims preferred and paid.

70. Several cases of double claims preferred and paid came to light during the year under review. These included double payments of salary and travelling allowance.

(a) The travelling allowance bill of an Inspector of Field Post Office for December 1916 amounting to Rs. 62, was paid for the second time on the 2nd July 1917 although it had already been paid on the 17th April 1917. The amount overpaid was disallowed in audit and recovered in November 1917. The Director, Postal Services, severely warned the Inspector.

(b) A bill from a firm for Rs. 160 was received by the Superintendent of Telegraph Stores and returned for correction. The firm, however, submitted a new bill for the same amount without quoting any previous reference. This second bill was paid as a new bill. Subsequently, in reply to an erroneous reminder issued by the Superintendent, the firm resubmitted the first bill without any remark that payment for the same had already been received. This bill was also paid. The entry of the bill already paid in the purchase diary was scored out by the bill clerk as erroneous without reference to the

cash book. The excess payment of Rs. 160 was recovered on the 14th January 1918. The bill clerk, through whose mistake the double payment occurred, was severely warned, and steps were taken to avoid recurrence of such mistakes.

Delay in accounting for advances drawn.

71. An officer in Mesopotamia took an advance of Rs. 450, from the Military Treasure Chest but made no deduction from his subsequent salary bills. Information of this advance was received in the audit office seventeen months after, on receipt of the demand statement from the Military Department. The officer was then on leave in England, and the India Office was, therefore, asked to effect the necessary recovery from the officer's leave allowance.

The same officer took another advance of Rs. 300 from the Military Disbursing Officer, Bombay, of which the Audit Office was not aware for over a year when intimation of the same was received from the Military Accounts Office at Poona. The Director General has been asked to fix the rate at which the amount is to be recovered On receipt of the information the India Office will be asked to recover the amount. The question of the officer's compulsory retirement is under the consideration of the Government of India.

Excessive claims for daily allowance.

72. Several officers of the Postal and Telegraph Department in Mesopotamia halted for long periods away from headquarters and billed for daily allowance for the enti [illegible] months and was paid [illegible] consecutive months a [illegible] was paid Rs. 1,776. [illegible] of the Direc [illegible] with retrospective effect in Novembe [illegible] gulations. No deduction was made u [illegible] the staff concerned were in receipt o [illegible] np equipage in addition to their pa [illegible] .tensive halts appears to show undue liberality.

Headquarters have since been fixed at several centres and a repetition of such excessive claims is improbable.

Irregular [illegible]

[illegible] Rs 5,637-4-0 was wrongly autho- [illegible] Base Post Office, from November 1916 to March 1917, without any particulars as regards periods and rates. The Director General has ordered the recovery of the amount. A sum of Rs. 4,383-1-6 has since been adjusted, and steps have been or are being taken for the recovery of the balance outstanding as information has been or is being received as to the whereabouts of the men concerned.

Non-recovery of family allotments.

74. In a number of cases payments were made in India on account of family allotments made by the men on field service, but no recoveries were effected by the F[illegible] officers in respect of these payments. The total amount outstand [illegible] approximately Rs. 19,000 of which about Rs [illegible] made to the families of prisoners of war [illegible] ral. The amount has since been adjusted by recovery from the bills of the prisoners on their return to India. Of the balance about Rs. 7,000 has since been adjusted, so that the amount still outstanding is approximately Rs. 5,000. The non-recoveries were due to necessary intimation for recovery not having been sent to Field officers by the officers in India, and in some cases to oversight on the part of the Field officers. Necessary instructions were issued to avoid such omissions, and the overpayments are in the course of recovery by the 'Clearing House.'

Railways.

Percentage of objections to total expenditure: Comparison with 1916-17.

75. Of the total expenditure of the year, which amounted to 36,87,02, the amount placed under objection was 3,54,88 or 9·63 per cent. The corresponding percentage in 1916-17 was 5·77. The increase in the percentage was due mainly to the causes mentioned in the following paragraph.

Analysis of Outstanding Objections.

Outstanding balance on 31st July 1918: Comparison with 1916-17.

76. The following statement shows the balances of the several classes of objections, raised up to the 31st March 1918, and remaining unadjusted on the 31st July 1918. The corresponding figures of the preceding year are also given for the purpose of comparison :—

Heads of objection.		Balance on 31st July 1918.		Balance on 31st July 1917.		Increase + Decrease —.	
		No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
Want of Estimate		123	2,62,41	157	1,37,16	—34	+1,25,25
Excess over Estimate	Covered by administrative sanction	210	14,71	215	17,24	—5	—2,53
	Not covered by administrative sanction	45	24,15	73	25,34	—28	—1,19
Want of Appropriation		11	35	13	26	—2	+9
Excess over Appropriation		77	19,00	49	5,32	+28	+13,68
Miscellaneous Irregularities		31	2,74	32	1,90	—1	+84
Total		497	3,23,36	539	1,87,22	—42	+1,36,14

The balance of expenditure under objection outstanding on the 31st July 1918 shows a large increase of 1,36,14 as compared with the corresponding figure on the same date in the preceding year. The increase occurred principally under the head 'Want of Estimate' and is due to a large outlay incurred during 1917-18 without detailed estimates on the Nushki Dalbandin (22,01) and on the Dalbandin Mirjawa Section (1,13,53) of the Nushki Extension Railway, and on certain works on the North Western Railway urgently demanded by the Army Department in connection with the operations on the Frontier and the measures necessary for mobilising India's resources for war purposes and on works required to maintain or enhance the capacity of the railway for dealing with heavy traffic.

...sification ...rding to ...s.

77. In the following statement the outstandings are classified according to the years to which they relate :—

Heads of objection.		Relating to 1915-16 and previous years.		Relating to 1916-17.		Relating to 1917-18.		Total.		Increase + Decrease —.	
		No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
Want of Estimate.	31st July '17	42	18,82	115	1,18,34	...	...	157	1,37,16	—34	+1,25,25
	31st July '18	**9**	**5,51**	**24**	**73,70**	**90**	**1,83,20**	**123**	**2,62,41**		
Excess over Estimate.	31st July '17	85	24,02	203	18,56	...	...	288	42,58	—33	—3,72
	31st July '18	**16**	**12,07**	**59**	**8,46**	**180**	**18,33**	**255**	**38,86**		
Want of Appropriation.	31st July '17	...	...	13	26	...	...	13	26	—2	+9
	31st July '18	...	...	...	...	**11**	**35**	**11**	**35**		
Excess over Appropriation.	31st July '17	5	66	44	4,66	...	...	49	5,32	+28	+13,68
	31st July '18	...	...	...	...	**77**	**19,00**	**77**	**19,00**		
Miscellaneous.	31st July '17	10	99	22	91	...	...	32	1,90	—1	+84
	31st July '18	**5**	**89**	**2**	**2**	**24**	**1,83**	**31**	**2,74**		
TOTAL	31st July '17	142	44,49	397	1,42,73	...	...	539	1,87,22	—42	+1,36,14
	31st July '18	**30**	**18,47**	**85**	**82,18**	**382**	**2,22,71**	**497**	**3,23,36**		

Classification of outstandings by railway lines and according to years.

78. The statement below shows the distribution of the outstanding objections according to the railway lines and to the years to which they relate :—

Railways		Relating to 1915-16 and previous years: No of items	Relating to 1915-16 and previous years: Amount.	Relating to 1916-17: No of items	Relating to 1916-17: Amount	Relating to 1917-18: No. of items	Relating to 1917-18: Amount	Total: No of items.	Total: Amount.
Assam-Bengal	31st July 1917	30	10,99	40	19,65	...	..	70	30,64
	„ 1918	**2**	**5**	**3**	**20**	**32**	**6,77**	**37**	**7,02**
Bengal Nagpur	„ 1917	...	...	18	64	...	...	18	64
	„ 1918	..	...	**1**	**1**	**9**	**6,33**	**10**	**6,34**
Bombay, Baroda and Central India	„ 1917	18	1,37	37	94	.	...	55	2,31
	„ 1918	**10**	**42**	**8**	**12**	**38**	**3,48**	**56**	**4,02**
Burma	„ 1917	5	4,99	12	68	..	...	17	5,67
	„ 1918	**3**	**4,89**	**3**	**22**	**10**	**3,61**	**16**	**8,72**
Eastern Bengal	„ 1917	7	29	42	3,61	..	...	49	3,90
	„ 1918	...	..	**1**	**1**	**71**	**6,49**	**72**	**6,50**
East Indian	„ 1917	18	1,60	53	5,44	..	...	71	7,04
	„ 1918	**3**	**31**	**3**	**29**	**56**	**10,11**	**62**	**10,71**
Great Indian Peninsula	„ 1917	11	16,25	45	19,02	..	..	56	35,27
	„ 1918	**4**	**11,68**	**6**	**5,08**	**35**	**8,88**	**45**	**26,64**
Lucknow-Bareilly	„ 1917	2	4	6	35	...	...	8	39
	„ 1918	..	...	...	...	**8**	**1,96**	**8**	**1,96**
Madras and Southern Mahratta	„ 1917	2	53	14	2,50	...	...	16	3,03
	„ 1918	**1**	**31**	**3**	**16**	**23**	**2,60**	**27**	**3,07**
North Western	„ 1917	28	2,55	(a)71	(a)10,41	...	...	(a)99	(a)12,96
	„ 1918	**5**	**24**	**53**	**6,43**	**49**	**31,14**	**107**	**37,81**
Nushki Extension	„ 1917	...	...	1	68,81	...	..	1	68,81
	„ 1918	...	..	**1**	**68,81**	**1**	**1,35,54**	**2**	**2,04,35**
Oudh and Rohilkhand	„ 1917	1	54	8	1,38	...	...	9	1,92
	„ 1918	**1**	**54**	...	...	**7**	**20**	**8**	**74**
South Indian	„ 1917	2	86	12	3,94	...	....	14	4,80
	„ 1918	...	...	**1**	**13**	**14**	**1,14**	**15**	**1,27**
Tirhoot	„ 1917	17	1,60	33	2,02	...	...	50	3,62
	„ 1918	**1**	**3**	**2**	**72**	**26**	**2,61**	**29**	**3,36**
Other Railways	„ 1917	1	2,88	5	3,34	..	...	6	6,22
	„ 1918	..	...	...	...	**3**	**85**	**3**	**85**
Total	„ 1917	142	44,49	397	1,42,73	...	....	539	1,87,22
	„ 1918	**30**	**18,47**	**85**	**82,18**	**382**	**2,22,71**	**497**	**3,23,36**

(a) Excludes the balances relating to the Nushki Extension Railway which are shown separately.

Analysis of outstandings relating to 1915-16 and previous years.

79. Out of the 142 items relating to 1915-16 and previous years which remained unadjusted on the 31st July 1917, 112 were regularised during the period under review. The following statement shows the details of the outstandings remaining unremedied and the railways to which they relate :—

Railways.	Want of Estimate.		Excess over Estimate.		Want of Appropriation.		Excess over Appropriation.		Miscellaneous.		Total.	
	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
Assam-Bengal	...	...	2	5	...	...	...	...	...	...	2	5
Bombay, Baroda and Central India.	...	...	7	12	...	...	...	...	3	30	10	42
Burma	3	4,89	...	...	...	...	...	...	...	...	3	4,89
East Indian	2	(a)27	1	4	...	...	...	...	...	...	3	31
Great Indian Peninsula	1	23	2	11,40	...	...	...	...	1	5	4	11,68
Madras and Southern Mahratta.	...	...	1	31	...	...	...	...	...	...	1	31
North-Western	3	12	2	12	...	...	...	...	...	...	5	24
Oudh and Rohilkhand	...	...	...	...	...	...	...	...	1	54	1	54
Tirhoot	...	...	1	3	...	...	...	...	...	...	1	3
Total	9	5,51	16	12,07	...	...	...	...	5	89	30	18,47

(a) Differs from the amount shown in the last Report owing to the subsequent receipt of a revised statement of expenditure on a work which was done by the Bengal Nagpur Railway for the East Indian Railway in 1915-16 and previous years.

Burma.—The objections relate to the Aungban-Heho Section of the Southern Shan States Railway, and will be removed when the estimate for the project is sanctioned. The Secretary of State has approved of expenditure being incurred on this extension.

Great Indian Peninsula.—The principal item is :—

Relaying 128 miles of 82 lbs. track between Igatpuri and Duskheda (11,33). The excess will be regularised when the completion report, which is being revised in accordance with Railway Board's instructions, is sanctioned.

80. Out of the 397 items relating to 1916-17 outstanding on the 31st July 1917, 312 were adjusted by the 31st July 1918. Particulars of the balance are given in the following statement :— Analysis of outstandings relating to 1916-17.

Railways.	Want of Estimate.		Excess over Estimate		Want of Appropriation		Excess over Appropriation.		Miscellaneous.		Total.	
	No. of items.	Amount.	No of items.	Amount.	No. of items	Amount.	No of items	Amount.	No of items.	Amount	No of items.	Amount
Assam-Bengal	...	...	3	20	...	...	.	.	.	...	3	20
Bengal Nagpur	...	..	1	1	..	...	...	...	...	...	1	1
Bombay, Baroda and Central India	1	4	5	6	...	..	...	...	2	2	8	12
Burma	...	...	3	22		...			.	...	3	22
Eastern Bengal	...	...	1	1	...	...	...	.	...	...	1	1
East Indian	1	2	2	27	..	...	...	...	...	.	3	29
Great Indian Peninsula	2	58	4	4,50		.	...	...	...	...	6	5,08
Madras and Southern Mahratta	...	..	3	16	.	...	...	..	...	..	3	16
North-Western	18	3,57	35	2,86	...		..	...	...	.	53	6,43
Nushki Extension	1	68,81	..	..	..	..	...	...	..	..	1	68,81
South Indian	...	...	1	13	...	...	...	...	...	...	1	13
Tirhoot	1	68	1	4	.	...	...	..	.	..	2	72
Total	24	73,70	59	8,46	...	..	.	..	2	2	85	82,18

Great Indian Peninsula.—The principal item is :—

New carriage and wagon shops at Matunga (3,96). A revised estimate for the work has been submitted to the Secretary of State for sanction.

North Western.—The principal items are :—

(*i*) Khanai-Hindubagh Railway (3,25).—An estimate for the work is under submission to the Secretary of State for sanction.

(*ii*) Laki-Pezu-Tank Railway (2,81).—The excess will be regularized partly through the revised construction estimate which has been submitted to the Secretary of State for sanction, and partly through the completion reports which are awaited.

Nushki Dalbandin Extension (68,81).—See remarks regarding this line under 1917-18.

should in future be commenced by contractors till proper agreements have been executed and accepted by competent authority. This procedure, the Chief Engineer adds, 'will be strictly followed in future'.

Irregularities in connection with the upkeep of Measurement Books. *Oudh and Rohilkhand Railway.*

84. During an inspection of an Executive Engineer's office it was found that certain measurements in a measurement book were shown as having been entered on a date on which they could not possibly have been made if the facts recorded in the measuring officer's travelling allowance journal were correct. There were other indications also that these and other measurements had been transcribed from notes. The Chief Engineer has issued the following circular to all Executive Engineers on the railway :—

"On an inspection of the office of an Executive Engineer, the Chief Auditor took exception to a case in which there were discrepancies between the dates of measurement as recorded in measurement book and as given in the travelling allowance journal of the subordinate concerned. I would, therefore, request that you will kindly impress on all concerned the necessity for the strict observance of the rules for the upkeep of the measurement book, so that its value as the original and initial record of all measurements may not be called in question in the event of its having to be used as evidence in a court of law. If accompanied by adequate disciplinary action in cases where this warning is found to have been disregarded, there should soon be a cessation of the irregularities now so commonly found in measurement books in the course of audit inspections. Further, I would invite attention to paragraphs 63—66 of the State Railway Construction Code in this connection and would state that measurement books being initial records, the measurements should be recorded in the measurement books themselves in the first instance as they are taken, and not transcribed later from notes of measurements made on previous dates which is very highly irregular and should be discontinued at once."

I quote this circular in full as it explains clearly the principles underlying the rules and the measures which should be taken to enforce the rules.

Insufficient attention to Government interests. *North Western Railway.*

85. An Executive Engineer ordered a supply of bridge timber from a contractor. The contractor in compliance with the order collected 1,111 c. ft. and asked for payment. The Executive Engineer, without satisfying himself as to the quality of the timber and whether it was in accordance with the specification or not, paid the contractor in full on a running bill. Subsequently, when the timber was inspected, only 405·55 c. ft. of it was passed and the rest rejected. The contractor was then asked to replace the quantity rejected or make good the excess payment. The amount involved was Rs. 1,764 and has been recovered from the contractor. The matter has been brought to the notice of the Agent and of the Railway Board.

Unsatisfactory condition of the accounts in District offices. *North Western Railway.*

86. The accounts of tools and plant, clothing and petty stores were not always correctly maintained in District offices. In the case of one District Traffic office inspected and verified during the year, they were particularly bad. Accounts books of consumable stores relating to periods prior to July 1917 were not forthcoming; registers pertaining to clothing were said to have been lost; and such records as were available were unreliable. Advice notes purporting to return unserviceable articles to the Stores Department had been prepared and signed and posted, but the articles continued to lie in the godown for months afterwards. The condition of things was so unsatisfactory that a special report was made to the Traffic Manager who was asked to investigate and report. The matter still remains under enquiry and has been brought to the notice of the Railway Board.

Irregular adjustment with a view to reducing expenditure. *Oudh and Rohilkhand Railway.*

87. During the course of verification of stores at a depôt in November 1917, a Stock Verifier noticed that an adjustment had been made in the accounts for 1916-17 on account of stores which were shown as having been received in the depôt as far back as March 1917, but which did not in fact completely arrive till the end of May 1917. Even then certain articles required sorting and fitting together, and this work was not finally completed till Novem-

ber 1917. The adjustment was made with a view to reduce the expenditure during 1916-17. The irregularity was reported to the Agent who brought it to the notice of the Railway Board. The Railway Board have held the officers concerned in the case to blame and have ordered that the rules which require that credit should not be afforded for materials until they are actually taken over by the Stores Department should be strictly observed

88. An i[illegible] disclosed that [illegible] payments we[illegible] muster rolls, issue-notes of stores and [illegible] on works, had been so defective and [illegible] confident that the State had received value for the payments made. The measurements and accounts in connection with pitching stone, on which heavy expenditure had been incurred, were especially unsatisfactory. The case was specially reported to th[illegible] further investigations might be mad[illegible]er confirmed the fact that the syste[illegible] to a degree, and that there was [illegible] al offices in control over initial accounts. He has, however, found it impossible, at this stage, to test the measurements, etc., recorded with the actual work done or [illegible] and the only question now is the action to be taken in regard [illegible]'s report is under disposal by the [illegible] The question as to what should be done in regard to the Divisional Accountant's share of responsibility and his failure, first, to make a firmer stand for the remedying of the obvious defects and irregularities, and secondly, in not promptly reporting matters to the Chief Auditor when such efforts as he did make were not adequately supported will be dealt with when the Agent's orders are received. The matter has been brought to the notice of the Railway Board.

89. At an audit inspection of a District Engineer's office it was discovered that an Assistant Engineer had made payments at the close of a financial year amounting to Rs. 13,000 for a certain quantity of ballast, although less than half that quantity had actually been supplied at the time, with the object apparently of spending his grant before the close of the year. The excess payment of Rs. 7,369-8-0 was subsequently recovered from the contractor by deduction from another bill for work done at another place in the District. While there was no actual loss to Railway and while it does not appear to have ever been the intention not to eventually make recovery, the facts remain— *Irregular action with a view to avoiding lapses of Budget grants. Burma Railways.*

(a) that an advance was made to a contractor on a lump sum entry in the measurement book, without actual measurements having been made; and

(b) that the contractor's bill was prepared in an irregular and misleading manner.

The Railway Administration has stopped the annual increment of the officer responsible for the irregularity for a little over a year, the later date counting for future increments.

90. (a) A sum of Rs. 15,104-0-9 in the custody of a pay clerk was stolen from the cash safe in the strong room of a railway station. Police investigations have proved fruitless, none of the money has been recovered and the persons responsible for the theft have not been traced. The pay clerk concerned had a clear record of over twenty-six years' service with the Railway. Although nothing was discovered incriminating him, it was evident that access to the safe could only have been obtained by the use of the keys in his charge or by [illegible] taken from them The enquiry [illegible]o be careless with his keys, and his [illegible] the sanction of the Government of [illegible] off. The Railway Administration [illegible] of pay clerks' cash at stations, [illegible]ed, prevent the possibility of theft in future. *Frauds and misappropriation of funds. Theft of cash. Burma Railways.*

Eastern Bengal Railway.

(*b*) A sum of Rs. 11,577-7-0 was stolen from a pay clerk's cash safe which was embedded in the wall of the booking office at a railway station. The police have not been able to trace the culprits. The Railway Board came to the conclusion that the pay clerk who had the custody of the cash was to blame and ordered that he should forfeit the whole of his security money amounting to Rs. 2,000 in addition to his Provident Fund bonus of Rs. 278. The loss was written off with the sanction of the Railway Board. A copy of the rules for the protection of pay clerk's cash mentioned in the preceding paragraph was forwarded to the Railway Administration for adoption.

Fraud by pay clerks. *East Indian Railway.*

91. An assistant pay clerk reported a theft of Rs. 3,000 from his cash box. The enquiry showed that three other assistant pay clerks had, from time to time, been temporarily misappropriating money by making fictitious entries in their cash books, and that they made good these misappropriations a few days after the theft of Rs. 3,000. The three assistant pay clerks were prepared to make good the amount stolen in view of the fact that the Railway had become aware of their previous temporary misappropriations with which they might have been charged. It was, however, thought desirable to scrutinize the accounts of all the assistant pay clerks at the station and a large number of finger impressions on pay sheets and vouchers for cash disbursed by these clerks were subjected to a very careful examination by one of the Assistant Auditors and the Finger Print Inspectors under him. The examination showed that the receipts against some of the payments made between April 1914 and April 1917 were the impressions of the assistant pay clerk who reported the theft of Rs. 3,000, some were those of a time-keeper and a tindal, and some of a friend of the pay clerk. Criminal proceedings were instituted against the men, the first two accused were sentenced to undergo rigorous imprisonment for three years each, and the tindal was dismissed the service.

Fraud at a Railway station. *East Indian Railway.*

92. The Audit Office became aware that some third class tickets issued from a certain station to another were being used twice over. The staff at the latter station on collection of the tickets sent them back to the former for re-issue The original dating machine stamp was carefully pressed out. On being issued for use a second time a new date was stamped on the ticket. The tickets, on being collected again, were destroyed so that in checking the tickets in audit the irregular issues did not come under examination. Apparently, however, some of the staff at the collecting station were honest, because some irregular tickets reached Audit. When the case first came to notice it was impossible to say from what station the tickets were being re-issued. With a view to detect the culprits, traps were laid at some suspected places and staff and passengers were watched by the Travelling Ticket Inspectors. An Assistant Auditor who was deputed to enquire into the matter succeeded in catching one of the assistant booking clerks at the original issuing station in the act of issuing the irregular tickets in the presence of suitable witnesses. He was prosecuted and was sentenced by the Magistrate to undergo 3 years' rigorous imprisonment, 3 months to be in solitary confinement, and to pay a fine of Rs. 200. It was not possible to prosecute any of the staff at the collecting station as sufficient evidence was not available, but the General Traffic Manager has taken suitable departmental action. One ticket collector has been discharged, and the Head Ticket Examiner has been warned that if any further cases come to light the question of retaining his services would be considered. Two other ticket collectors have been removed to another station.

Army.

93. The following paragraphs contain the information regarding the expenditure under objection in the accounts of Divisional and Supply Controllers and the Controller of War Accounts, in India. Special points arising out of the war are dealt with in a separate section of this report.

Percentage of objections to total expenditure.

94. The total gross expenditure audited by the Supply and Divisional Controllers and the Controller of War Accounts amounted to 89,91,18 during the year under review, while 4,28,51 were placed under objection. The percentage amounts to 4·77 as compared with 4·88 in the preceding year.

Analysis of Outstanding Objections.

95. The following statement shows the balances of objections, raised up to the 31st March 1918, but remaining unadjusted on the 31st July 1918. The corresponding figures for the preceding year are also given, as far as possible, for purposes of comparison :— **Classification of outstandings according to years and comparison with 1916-17.**

	Items awaiting clearance.		Service payments for recovery		Total on 31st July 1918.		Total on 31st July 1917.		Increase + Decrease —.	
	No. of Items	Amount	No of Items	Amount	No. of Items	Amount.	No of Items	Amount	No of Items.	Amount
Relating to 1912-13	..	...	8	19	8	19	9	19	—1	...
Relating to 1913 14	1	(a)	..	.	1	(a)	4	(a)	—3	.
Relating to 1914-15	5	(a)	9	2	14	2	897	1,75	—883	—1,73
Relating to 1915-16	634	1,16	753	49	1,387	1,65	6,101	9,99	—4,714	—8,34
Relating to 1916-17	2,358	17,29	2,716	5,36	5,074	22,65	17,289	93,73	—12,215	—71,08
Relating to 1917-18	16,622	1,52,44	9,702	13,49	26,324	1,65,93	...	...	+26,324	+1,65,93
TOTAL	19,620	1,70,89	13,188	19,55	32,808	1,90,44	24 300	1,05 66	+8,508	+84,78

(a) Amount less than one thousand.

The large increase of 84,78 in the amount outstanding on the 31st July 1918 as compared with that on the same date in the preceding year occurred mainly in the Lahore, Lucknow and Burma Divisions, and in the Supply Circle, due to the causes explained in the following paragraph.

96. The following statement shows these outstandings according to the Divisions to which they relate :— **Classification of outstandings according to Divisions, etc.**

Divisions, etc	Items awaiting clearance.		Service payments for recovery		Total on 31st July 1918		Total on 31st July 1917.	
	No of Items	Amount.	No of Items	Amount	No of Items	Amount	No of Items	Amount.
Peshawar	772	82	268	53	1,040	1,35	1,077	1,45
Rawalpindi	643	5,64	411	27	1,054	5,91	898	8,09
Lahore	5,228	79,96	808	70	6,036	80,66	6,635	40,52
Quetta	4,941	16	178	5	5,119	21	3,037	22
Mhow	187	2	94	5	281	7	79	16
Poona	180	6,03	98	25	278	6,28	1,966	3,69
Meerut	138	14	80	5	218	19	1 303	1,69
Lucknow	4,010	32,56	1,830	1,36	5,840	33,92	5,406	6,83
Secunderabad	2,259	1	139	5	2,398	6	1,604	5
Burma	362	24,51	110	60	472	25,11	150	14,71
Supply Circle	582	19,62	9,172	15,64	9,754	35,26	2,145	19,22
Controller of War Accounts	318	1,42	...	...	318	1,42	...	...
TOTAL	19,620	1,70,89	13,188	19,55	32 808	1,90,44	24,300	1,05,66

As compared with the preceding year, the increase in the balance outstanding on the 31st July 1918, in the Lahore Division (40,14) was due to non-settlement of objections on account of increase in work owing to new formations, the constant movements of troops and frequent changes in the personnel of Supply and Transport offices ; that in the Poona Division (2,59) due chiefly to transactions appearing through Exchange and Central Adjusting Accounts

Eastern Bengal Railway.

(*b*) A sum of Rs. 11,577-7-0 was stolen from a pay clerk's cash safe which was embedded in the wall of the booking office at a railway station. The police have not been able to trace the culprits. The Railway Board came to the conclusion that the pay clerk who had the custody of the cash was to blame and ordered that he should forfeit the whole of his security money amounting to Rs 2,000 in addition to his Provident Fund bonus of Rs. 278. The loss was written off with the sanction of the Railway Board. A copy of the rules for the protection of pay clerk's cash mentioned in the preceding paragraph was forwarded to the Railway Administration for adoption.

Fraud by pay clerks.
East Indian Railway.

91. An assistant pay clerk reported a theft of Rs. 3,000 from his cash box. The enquiry showed that three other assistant pay clerks had, from time to time, been temporarily misappropriating money by making fictitious entries in their cash books, and that they made good these misappropriations a few days after the theft of Rs. 3,000. The three assistant pay clerks were prepared to make good the amount stolen in view of the fact that the Railway had become aware of their previous temporary misappropriations with which they might have been charged. It was, however, thought desirable to scrutinize the accounts of all the assistant pay clerks at the station and a large number of finger impressions on pay sheets and vouchers for cash disbursed by these clerks were subjected to a very careful examination by one of the Assistant Auditors and the Finger Print Inspectors under him. The examination showed that the receipts against some of the payments made between April 1914 and April 1917 were the impressions of the assistant pay clerk who reported the theft of Rs. 3,000, some were those of a time-keeper and a tindal, and some of a friend of the pay clerk. Criminal proceedings were instituted against the men, the first two accused were sentenced to undergo rigorous imprisonment for three years each, and the tindal was dismissed the service.

Fraud at a Railway station.
East Indian Railway.

92. The Audit Office became aware that some third class tickets issued from a certain station to another were being used twice over. The staff at the latter station on collection of the tickets sent them back to the former for re-issue The original dating machine stamp was carefully pressed out. On being issued for use a second time a new date was stamped on the ticket. The tickets, on being collected again, were destroyed so that in checking the tickets in audit the irregular issues did not come under examination. Apparently, however, some of the staff at the collecting station were honest because some irregular tickets reached Audit. When the case first came to notice it was impossible to say from what station the tickets were being re-issued. With a view to detect the culprits, traps were laid at some suspected places and staff and passengers were watched by the Travelling Ticket Inspectors. An Assistant Auditor who was deputed to enquire into the matter succeeded in catching one of the assistant booking clerks at the original issuing station in the act of issuing the irregular tickets in the presence of suitable witnesses. He was prosecuted and was sentenced by the Magistrate to undergo 3 years' rigorous imprisonment, 3 months to be in solitary confinement, and to pay a fine of Rs. 200. It was not possible to prosecute any of the staff at the collecting station as sufficient evidence was not available, but the General Traffic Manager has taken suitable departmental action. One ticket collector has been discharged, and the Head Ticket Examiner has been warned that if any further cases come to light the question of retaining his services would be considered. Two other ticket collectors have been removed to another station.

Army.

93. The following paragraphs contain the information regarding the expenditure under objection in the accounts of Divisional and Supply Controllers and the Controller of War Accounts, in India. Special points arising out of the war are dealt with in a separate section of this report.

Percentage of objections to total expenditure.

94. The total gross expenditure audited by the Supply and Divisional Controllers and the Controller of War Accounts amounted to 89,91,18 during the year under review, while 4,28,51 were placed under objection. The percentage amounts to 4·77 as compared with 4·88 in the preceding year.

awaiting clearance for want of details, which have since been cleared; that in the Lucknow Division (27,09) due chiefly to non-receipt of Receipt and Delivery vouchers and consignees' receipts for large Supply and Transport supplies and Mechanical Transport stores despatched overseas and to increase of work on account of formation of new units; that in the Burma Division (10,37) to want of Receipt vouchers for rice despatched to Mesopotamia Expeditionary Force; and that in the Supply Circle (7,04) to the increase of objections under railway charges.

97. The reasons for the outstandings are explained below:—

1912-13.—The sum of 19 outstanding in the 6th (Poona) Division represents the loss sustained by the State by the failure of a contractor. Legal steps were taken for the recovery of the amount, but the case as still under appeal.

1914-15.—The outstandings are small disallowances chiefly on account of pay and allowances of officers and men which are awaiting adjustment.

1915-16.—Of the sum of 1,65 outstanding for this year, 1·53 represent disallowances chiefly on account of pay and allowances of officers and men, 10 represent cost of firewood purchased for despatch to troops in Mesopotamia and short delivered at Basrah and the balance 2 represents freight for the conveyance of explosives charged on the minimum weight instead of the actual weight. Of the total outstandings 23 have since been adjusted, 1,06 are outstanding for want of vouchers or other particulars which have been called for, 34 are under recovery and 2 are awaiting Government sanction.

1916-17.—The outstandings amount to 22,65 as against 93,73 shown in the last report. Of the total, 7,23 have since been adjusted, 13,77 are outstanding for want of vouchers or other particulars which have been called for, 1,45 are under recovery and 20 are awaiting Government sanction.

1917-18.—Of the sum of 1,65,93 outstanding, 48,04 have since been adjusted, 1,15,17 are outstanding for want of vouchers or other details, 2,03 are under recovery, and 69 are awaiting Government sanction.

The delay in the settlement of these outstandings is chiefly due to the increase of work on account of the war, the formation of new units and the consequent extra work thrown on all offices. Every endeavour is being made to hasten their adjustment and to reduce the outstandings.

ACCOUNTS OF FIELD CONTROLLERS.

Percentage of objections to total expenditure: Comparison with 1916-17.

98. The expenditure placed under objection during the year under review (59,24) represents 1·18 per cent. of the total expenditure (50,18,81) audited in the Field Controllers' offices during the year, which includes for the first time the expenditure audited by the Chief Auditor, Non-Military Pay and Pension Accounts, Dadar, Bombay, and the Financial Adviser, Shiraz. The percentage for the preceding year was 1·54.

Classification of outstandings according to years and comparison with 1916-17.

99. The following statement shows the balances of objections raised up to the 31st March 1918, but remaining unadjusted on the 31st July 1918 in the books of Field Controllers. The corresponding figures for the preceding year are also given for purposes of comparison:—

—	Items awaiting clearance.	Service payments for recovery.	Total.	Total on 31st July 1917.	Increase + Decrease —
Relating to 1915-16	...	...	...	31	—31
Relating to 1916-17	8	5	13	6,44	—6,31
Relating to 1917-18	1,26	10,72	11,98	...	+11,98
TOTAL	1,34	10,77	12,11	6,75	+5,36

The increase of 5,36 in the amount under objection outstanding on the 31st July 1918, as compared with that in the preceding year, was due to the inclusion of expenditure placed under objection pertaining to the Financial Adviser, Shiraz, which involved delay in adjustment owing chiefly to the absence of facilities for communicating with executive and other officers concerned.

100. The following statement shows the outstandings under each field office :— Classification of outstandings according to Field offices, etc.

Field Offices.	Items awaiting clearance	Service payment for recovery.	Total.
Indian Expeditionary Force " B "	..	1	1
Indian Expeditionary Force " D" (Supply)	1,22	5	1,27
Office of Field Controller of Military Accounts, Poona, which includes Indian Expeditionary Force " A " other than the Cavalry Corps, Force "D," other than the Supply portion, and the whole of Force " E "	..	17	17
Aden Field Force	2	..	2
Forces in Persia	6	8	14
Office of Chief Auditor, Non-Military Pay and Pension Accounts, Dadar, Bombay	4	..	4
Office of Financial Adviser, Shiraz	..	10,46	10,46
TOTAL	1,34	10,77	12,11

The reasons for the above outstandings may be classified under the following heads :—

—	1916-17.	1917-18.
For recovery of amounts overcharged	4	10,55
For want of Government or other sanction	...	21
For want of vouchers, last-pay certificates, certificates of payments or other particulars	8	1,16
Salary objections	...	...
Other objections, including amounts which are under adjustment	...	5
Amounts adjusted after 31st July 1918	1	1
Total	13	11,98
	12,11	

Of the sum of 12,11 outstanding, 1,15 represent disallowances against the Inland Water Transport Officer, Amara, which are under local investigation. The major portion of the balance represents expenditure under objection pertaining to the Financial Adviser, Shiraz, and the delay in adjustment is due chiefly to the absence of facilities for communicating with executive and other officers concerned.

Financial Irregularities.

Issue of stores of higher value owing to depletion of stock and consequent loss to Government.

101. During the period from October to December 1917, several units serving at certain stations indented for country blankets costing Rs. 3-8-3, but the Supply and Transport authorities issued, erroneously, blankets costing Rs. 9 each in lieu. Such issues were placed under objection. In most of the cases the explanation given was that country blankets were not in stock. As the losses included items of both over and under Rs. 1,000, the Divisional Commander has been asked to prepare a complete list of such losses in his Division, and submit the whole case for the sanction of the Government of India.

Defalcations of Government money.

102. (*i*) In the course of inspection of the accounts of a certain corps it was noticed that a sum of Rs. 6,176 representing undisbursed family allotments of certain men on field service was shown in the accounts as having been sent to the field through a Subadar-Major for payment to those who made the allotments. The Audit Office pointed out that this course was irregular. The enquiry thus initiated showed that the money had been misappropriated. The matter was brought to the notice of the divisional and brigade authorities. The officer involved was court-martialled, found guilty of the charge and was cashiered. The amount proved to be irrecoverable and was written off under the sanction of the Government of India.

(*ii*) On inspection of the accounts of the depôt of a regiment, it was found that the company clerk of the regiment withdrew from the Savings Bank and Company accounts various sums amounting to Rs. 1,540 on different dates and misappropriated them by making false entries in the accounts and forging the signature of the Company Havildar. The Court of Enquiry, which was held, decided that the misappropriations were due to constant changes in the command of the Company and recommended that the loss should be borne by Government. The matter will be dealt with by the General Officer Commanding, Northern Command, under his financial powers.

Overpayments made and cash not duly credited to Government.

103. The inspection of the accounts of the depôt of a company brought to light the following irregularities :—

(*i*) Overpayments aggregating Rs. 19,476-12-0 made by the Divisional Disbursing Officer since 1914 were not brought to the notice of that officer monthly with a view to their adjustment.

(*ii*) Sums amounting to Rs. 8,593-0-3 in the clothing accounts of men of less than 3 years' service, who had become non-effective from time to time, had not been credited to Government as required by the rules.

(*iii*) The estates of deserters amounting to Rs. 7,596-10-0 had not been remitted to the Comptroller, India Treasuries, as required by rules.

The irregularities were mainly due to the preparation of the accounts of the unit on the 'normal cost' system and to transfers of men from one unit to another or on field service and *vice versâ*; also to frequent changes due to promotions, transfers to pension establishments, etc. The 'normal cost' system to which these defects were attributable, has since been substituted by the 'nominal' system. All overpayments have since been recovered, and the amounts retained in regimental accounts correctly adjusted. There has thus been no loss to Government.

The matter has been brought to the notice of the General Officer Commanding, as the Officer Commanding was primarily responsible for the irregularities.

Military Works.

Percentage of objections to total expenditure.

104. Under 47—Military Works, the total expenditure during the year under review was 2,69,28, of which 2,31,95 (excluding overlapping figures) were placed under objection, showing a percentage of 86·1 as against 87·6 in the preceding year. These figures do not include the Military Works expenditure debited to the Central War Controller, which is separately dealt with in paragraph 109 below. The percentage
pared with the last year, but it is still v
general insufficiency of the engineering
India to cope with the extraordinary a
establishment caused by the war, and the urgent nature of both permanent and temporary works which had to be put in hand prior to the submission of regular estimates, to the delay that occurred in the allotting by works of the grants placed at the disposal of the Director General in the budget estimates, to non-submission with the accounts by district officers of vouchers relating to monthly accounts, to objections relative to the collection of reserve stocks in excess of sanctioned limit, and to accumulation of sums due from contractors for a period longer than six months. The last four causes were remediable. But in considering whether they could have been prevented, one must remember the overwhelming work and responsibility imposed upon the officers of the Department by the urgent and important war demands.

Under 47-A—Spec' [illegible] tions to the total expenditure was 59·4 [illegible] the total expenditure during the year un [illegible] ch 79 (excluding overlapping figures) w [illegible] increase in the percentage was due generally to the causes mentioned in the preceding sub-paragraph.

Analysis of Outstanding Objections.

Classification of outstandings according to years.

105. The following statement shows the balances on the 31st July 1918 and the corresponding figures for 1916-17 :—

Heads of objection	Relating to 1915-16 and previous years		Relating to 1916-17		Relating to 1917-18		Total	
	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount
Want of Estimate	9	10,01	77	15,86	676	78,93	762	1,04,80
Excess over Estimate	12	49	39	1,82	230	7,65	281	9,96
Want of Appropriation	13	67	48	2,93	175	7,50	236	11,10
Excess over Appropriation	1	50	39	1,87	132	4,52	172	6,89
Miscellaneous Irregularities	7	2,25	13	1,90	183	27,25	203	31,40
Total for 1917-18	42	13,92	216	24,38	1,396	1,25,85	1,654	1,64,15
Total for 1916-17	127	22,42	718	90,73	...	..	845	1,13,15

Comparison with 1916-17.

106. The balance of 1,64,15 was made up of 99,35 under 'Ordinary Demands', 63,05 under 'Special Demands' and 1,75 under 'Special Defences,' while the *corresponding* figures for 1916-17 were 87,98, 24,00 and 1,17, respectively. The increase, as compared with the preceding year, was due chiefly to the want of specific orders by competent authorities for the clearance of objections brought to their notice in the monthly and periodical statements of items of expenditure under objection and to the delay that has been, and is occurring, in the disposal and return of these statements to the Audit Office.

Analysis of outstandings according to years

107. Out of 127 items relating to 1915-16 and previous years which were outstanding on the 31st July 1917, 85 were adjusted during the period under review. Of the remaining 42 items, 1 (amounting to 6) related to the year

Of the sum of 12,11 outstanding, 1,15 represent disallowances against the Inland Water Transport Officer, Amara, which are under local investigation. The major portion of the balance represents expenditure under objection pertaining to the Financial Adviser, Shiraz, and the delay in adjustment is due chiefly to the absence of facilities for communicating with executive and other officers concerned.

Financial Irregularities.

Issue of stores of higher value owing to depletion of stock and consequent loss to Government.

101. During the period from October to December 1917, several units serving at certain stations indented for country blankets costing Rs. 3-8-3, but the Supply and Transport authorities issued, erroneously, blankets costing Rs. 9 each in lieu. Such issues were placed under objection. In most of the cases the explanation given was that country blankets were not in stock. As the losses included items of both over and under Rs. 1,000, the Divisional Commander has been asked to prepare a complete list of such losses in his Division, and submit the whole case for the sanction of the Government of India.

Defalcations of Government money.

102. (*i*) In the course of inspection of the accounts of a certain corps it was noticed that a sum of Rs. 6,176 representing undisbursed family allotments of certain men on field service was shown in the accounts as having been sent to the field through a Subadar-Major for payment to those who made the allotments. The Audit Office pointed out that this course was irregular. The enquiry thus initiated showed that the money had been misappropriated. The matter was brought to the notice of the divisional and brigade authorities. The officer involved was court-martialled, found guilty of the charge and was cashiered. The amount proved to be irrecoverable and was written off under the sanction of the Government of India.

(*ii*) On inspection of the accounts of the depôt of a regiment, it was found that the company clerk of the regiment withdrew from the Savings Bank and Company accounts various sums amounting to Rs. 1,540 on different dates and misappropriated them by making false entries in the accounts and forging the signature of the Company Havildar. The Court of Enquiry, which was held, decided that the misappropriations were due to constant changes in the command of the Company and recommended that the loss should be borne by Government. The matter will be dealt with by the General Officer Commanding, Northern Command, under his financial powers.

Overpayments made and cash not duly credited to Government.

103. The inspection of the accounts of the depôt of a company brought to light the following irregularities :—

(*i*) Overpayments aggregating Rs. 19,476-12-0 made by the Divisional Disbursing Officer since 1914 were not brought to the notice of that officer monthly with a view to their adjustment.

(*ii*) Sums amounting to Rs. 8,593-0-3 in the clothing accounts of men of less than 3 years' service, who had become non-effective from time to time, had not been credited to Government as required by the rules.

(*iii*) The estates of deserters amounting to Rs. 7,596-10-0 had not been remitted to the Comptroller, India Treasuries, as required by rules.

The irregularities were mainly due to the preparation of the accounts of the unit on the 'normal cost' system and to transfers of men from one unit to another or on field service and *vice versâ* ; also to frequent changes due to promotions, transfers to pension establishments, etc. The 'normal cost' system to which these defects were attributable, has since been substituted by the 'nominal' system. All overpayments have since been recovered, and the amounts retained in regimental accounts correctly adjusted. There has thus been no loss to Government.

The matter has been brought to the notice of the General Officer Commanding, as the Officer Commanding was primarily responsible for the irregularities.

Military Works.

104. Under 47—Military Works the total ...
under review was 2,69,28, of ... ...nge of ...ns
placed under objection, showi...
preceding year. These figures do not include the Military Works expenditure ... in the expenditure.
debited to the Central War Controller, which is separately dealt with in
paragraph 109 below. The percentage ...
pared with the last year, but it is still ...
general insufficiency of the engineering ...
India to cope with the extraordinary a... ...ands on Military Works
establishment caused by the war, and the urgent nature of both permanent and
temporary works which had to be put in hand prior to the submission of
regular estimates, to the delay that occurred in the allotting by works of the
grants placed at the disposal of the Director General in the budget estimates,
... ...ouchers relating to
... ...of reserve stocks in
... ... from contractors
... were remediable.
... , one must remem-
... on the officers of
...
... ...ions to the total
... the total expendi-
ture during the year under review being 1,33, out of which 79 (excluding overlapping figures) were placed under objection. The increase in the percentage was due generally to the causes mentioned in the preceding sub-paragraph.

Analysis of Outstanding Objections.

105. The following statement shows the balances on the 31st July 1918 and the corresponding figures for 1916-17 :— Classification of outstandings according to years.

Heads of objection	Relating to 1915-16 and previous years		Relating to 1916-17		Relating to 1917-18		Total	
	No of items	Amount	No. of items	Amount	No of items	Amount	No of items	Amount
Want of Estimate	9	10,01	77	15,86	676	78,93	762	1,04,80
Excess over Estimate	12	43	39	1,82	230	7,65	281	9,90
Want of Appropriation	13	67	48	2,93	175	7,50	236	11,10
Excess over Appropriation	1	50	39	1,87	132	4,52	172	6,89
Miscellaneous Irregularities	7	2,25	13	1,90	183	27,25	203	31,40
Total for 1917-18	42	13,93	216	24,38	1,396	1,25,85	1,654	1,64,15
Total for 1916-17	127	22,43	718	90,73	...	...	845	1,13,15

106. The balance of 1,64,15 was made up of 99,35 under 'Ordinary Demands', 63,05 under 'Special Demands' and 1,75 under 'Special Defences,' while the corresponding figures for 1916-17 were 87,98, 24,00 and 1,17, respectively. The increase, as compared with the preceding year, was due chiefly to the want of specific orders by competent authorities for the clearance of objections brought to their notice in the monthly and periodical statements of items of expenditure under objection and to the delay ... has been, and is occurring, in the disposal and return of these statem... the Audit Office. Comp with

107. Out of 127 items relating to 1915-16 and previous year outstanding on the 31st July 1917, 85 were adjusted during the review. Of the remaining 42 items, 1 (amounting to 6) rel

1912-13, 2 (amounting to 28) to 1913-14, 4 (amounting to 59) to 1914-15 and 35 (amounting to 12,99) to 1915-16.

The item relating to 1912-13 represents expenditure incurred in excess of estimate on a masonry of a raised reservoir for which a general completion report is awaited.

Of the two items relating to 1913-14, one represents expenditure of 4 in excess of estimates on some barracks which await submission of a general completion report and the other represents an excess of detailed over plinth area estimates on a project for constructing some Indian Cavalry Lines.

The outstandings for 1914-15 consist of one item under 'Want of Estimate', one under 'Excess over Estimate' and two under 'Miscellaneous Irregularities.' Under 'Want of Estimate' the outstanding represents outlay on the expansion of a troops hospital. Under 'Excess over Estimate' the item represents outlay on accommodation for some troops which awaits submission of a general completion report. Under 'Miscellaneous Irregularities' the outstandings represent excess of detailed over plinth area estimates on reconstruction of some Indian Cavalry Lines and on accommodation for some troops.

The principal item relating to 1915-16 represents outlay incurred without estimate and in excess over plinth area estimates on the formation of a Mechanical Transport Company which awaits the sanction of the Secretary of State.

The principal outstandings for 1916-17 and 1917-18 represent outlay on roads, hospitals and electric light schemes in cantonments.

Percentage of works started without estimates otal ed.

108. It has been roughly estimated that the percentage of Military Works started during the year without detailed sanctioned estimates was 39·80 against 42·15 in the preceding year. This estimate is based on statistics for eight districts selected at random.

War Expenditure.

109. The expenditure on Military Works charged to war, which was placed under objection during the year under review, amounted to 2,81,32 and the total expenditure to 3,55,41, thus giving a percentage of 79·15 against 82·46 in the preceding year. This high percentage was due mainly to the fact that practically all the expenditure on works, most of which were started without sanctioned plinth area or detailed estimates, has been placed under objection and to the large objections for want of consignees' receipts.

Classification of outstandings according to years.

110. The following statement shows the balances of objections raised up to the 31st March 1918, but remaining unadjusted on the 31st July 1918:—

Heads of objection.	Relating to 1915-16.		Relating to 1916-17.		Relating to 1917-18.		Total.	
	No. of Items.	Amount.	No. of Items.	Amount.	No. of Items.	Amount.	No. of Items.	Amount.
Want of Estimate	...	...	4	30	223	42,10	237	42,40
Excess over Estimate	4	22	18	1,29	104	8,32	126	9,83
Want of Administrative sanction	...	...	4	8,25	143	34,29	147	42,54
Excess over Administrative sanction	...	...	3	1,00	27	2,83	30	3,83
Miscellaneous Irregularities—								
Consignees' receipts	...	...	63	36,46	90	62,75	153	99,21
Miscellaneous	...	...	72	3,11	776	12,14	848	15,25
1{1	4	22	164		363	1,62,43	1,531	2,13,05
1		52	485	1		...	492	1,45,29

Comparison with 1916-17.

111. The increase of 67,77 in the balance outstanding on the 31st July 1918, as compared with the similar figure for the preceding year, was due mainly to expenditure on works in connection with the provision of accommodation for newly-raised units and for the increased strength of units and depôts having been [illegible]

[illegible] which were [illegible] Salonika not having been acknowledged by [illegible] for want of vouchers than in the previous [illegible] contractors for materials issued to them for war works having been included in the head 'War' during the year instead of in 'Ordinary' as in the preceding year

Percentage of works started without estimates to total number of works started.

112. Th[illegible] imate to the total number of [illegible] percentage, arrived at by a r[illegible]

Financial Irregularities.

Irregular action with a view to avoiding lapses of Budget grants.

113. (*a*) Bricks worth Rs. 1,120 and sleepers worth Rs. 1,400 were shown as issued from stock to the materials-at-site account of a work during March 1917, although the bricks had never been removed from the kiln, and the sleepers actually issued to the work to end of July 1917 were worth Rs. 450 only. It was admitted that the account entry was made to utilize allotments and that the materials had subsequently been used on other works and the accounts regularised. The officer responsible was warned by the Assistant Commanding Royal Engineer, and the Director-General, Military Works, directed that the instructions on the subject conveyed in his circular of December 1916 should be adhered to; otherwise serious notice will be taken.

(*b*) Rupees 16,299-8-0 were paid on the 28th March 1917 for furniture before it had been received The Assistant Commanding Royal Engineer explained that the furniture was passed by him, but was not received till after 1st April 1918. The bills were noted as verified by the Barrack Master on the 25th and the 26th March 1917. The matter is still under consideration by the Director-General.

Shipment of Military Works stores to Expeditionary Forces.

114. There is still a large amount outstanding in the books for want of consignees' receipts for stores despatched to forces overseas. Of the amount placed under objection during 1916-17, a sum of Rs 51,97,355 remained unadjusted to the end of March 1918. This amount has been reduced by Rs. 30,96,766 between April 1918 to February 1919. The expenditure placed under objection for want of consignees' receipts during 1917-18 amounted to Rs. 1,21,30,731 of which a sum of Rs. 93,25,127 remained unadjusted to the end of March 1918, and further clearances to the extent of Rs. 66,96,084 were effected to the end of February 1919 leaving a total unadjusted balance at end of February 1919 of Rs. 47,29,032 for the two years 1916-17 and 1917-18. The officer responsible for the shipment of the stores has endeavoured to obtain receipts from officers in the field for the stores despatched to them, but his efforts have not so far proved very successful. The failure to account for all stores despatched from India is due mainly to the difficulties experienced at Basra in landing and taking delivery of stores, and to the confusion that prevailed there in the earlier periods of the war. As evidence of shipment exists in most cases for all the stores which the authorities in the field have not yet acknowledged, the whole question has been referred for the orders of the Government of India. In regard to stores despatched before the 1st April 1916, a number of bills of lading have since been obtained, but these are in many cases incomplete as regards certificates of contents and have not been connected with the vouchers on which payments for stores were made. Endeavours are being made to complete these, as far as possible, from the records of the late Engineer Stores Officer's office, when the question of the unadjusted outstandings will be submitted for the orders of Government.

Overpayments to contractors. 115. As a result of the large payments on account made to contractors, referred to in paragraph 96 of the last year's report, it was found on finally adjusting their accounts that overpayments of Rs. 75,569-6-6 and Rs. 81,179-7-2 had been made to two firms. These amounts have since been recovered through the Indian Munitions Board. The officer responsible for the overpayments explained that the sum of Rs. 10,00,000 were advanced to one of the firms at the request of the Deputy Controller, Timber Supplies; and that the overpayment made to the other firm was due to certain stores supplied by the firm having been subsequently rejected. The former statement is being investigated by the Munition s Board.

Irregular up-keep of contractors' accounts. 116. Bricks valued at Rs. 498-13-0 were issued direct to a work instead of to the contractors concerned who were paid the full value of the work without any recovery on account of the value of the bricks. On the overpayment coming to light, the sum of Rs. 106-4-10 lying to their credit in the deposit account was forfeited and no action taken beyond this. The Commanding Royal Engineer considered the transaction very unsatisfactory, but, in view of the frequent changes of staff, recommended the write-off of the difference. The Director General agreed to the write-off of the loss.

Irregular action with a view to evade financial rules or audit objections. 117. A sum of Rs. 1,068-2-7 was charged off in the cash book as cash found deficit with a muster clerk. On investigation it was found that it represented part of the unspent balance of an imprest advance issued to the Garrison Engineer. The clerk was placed under trial and Rs. 500 were recovered from him. As regards the balance the Director General ordered that the deficit should be made good by the imprest holder without delay, and that he should be reimbursed later if the amount were recovered from the accused. The amount has since been recovered in full.

Marine.

Percentage of objections to total expenditure. 118. The percentage which the expenditure placed under objection during 1917-18 (3,58) bears to the total expenditure of the year (11,41,79) is ·31 as against 1·37 in the preceding year.

Analysis of Outstanding Objections.

Outstanding balances. 119. The following statement shows the balances of objections raised up to the 31st March 1918, but remaining unadjusted on the 31st July 1918, classified according to the years to which they relate :—

—	Items awaiting clearance.		Recoveries of service payments.		Total.		Total on 31st July 1917.	
	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.	No. of items.	Amount.
Relating to 1915-16 and previous years .	...	...	...	...	...	...	45	3
„ 1916-17	7	5	...	...	7	5	187	8,66
„ 1917-18	412	90	402	7	814	97	...	...
Total .	419	95	402	7	821	1,02	232	8,69

Comparison with 1916-17. The balance outstanding on the 31st July 1918 shows a substantial improvement of 7,67 as compared with the preceding year.

Analysis of outstandings relating to 1916-17. 120. Of the outstandings relating to the year 1916-17, outstandings amounting to 3 have since been adjusted and the balance is outstanding for want of vouchers which have been called for.

Analysis of outstandings relating to 1917-18. 121. Of the outstandings for 1917-18, 40 have since been adjusted, 7 are under recovery and the balance of 50 is outstanding for want of particulars, vouchers or authority. Steps have been taken for an early settlement of these outstandings.

March Expenditure.

122. As promised in paragraph 102 of my last report a simplified table is given below, showing for each province the percentage of the amount of cheques drawn in March 1918 to the total amount of cheques drawn during the year under review, and the percentage of the amount of cheques drawn during the last three days of March 1918 to the total amount of cheques drawn during that month.

Province.	Percentage of the amount of cheques drawn in March 1918 to the amount drawn during 1917-18.	Percentage of the amount of cheques drawn during the last 3 days of March 1918 to the total amount drawn in March 1918.
Delhi	17·2	3·9
North-West Frontier Province . . .	26 9	11·4
Madras	10·5	30 3
Bombay	18·2	9 4
Bengal	18 1	17·9
United Provinces	23·3	25 7
Punjab	22 6	33 9
Burma	13 8	20 1
Bihar and Orissa	20 6	26·6
Central Provinces	13·0	7·4
Assam	19 8	22·4
Rajputana	22 0	7·9
Hyderabad	15 8	...
Central India	17·3	...

It will be observed that rush of expenditure towards the close of the year was most prominent in the North-West Frontier Province, the United Provinces, the Punjab and Rajputana.

The high percentage in the North-West Frontier Province was due to (*a*) large allotments of funds towards the close of the year, (*b*) postponement of works in the early part of the year on account of bad season and scarcity of labour, (*c*) the fact that establishment could not be spared in certain districts for ordinary civil works during the earlier part of the year owing to the Waziristan Field Force and other war works, and (*d*) the fact that the working season in some districts begins in September and road works specially are done in winter.

In the United Provinces the rush towards the close of the year was attributable in the Buildings and Roads Branch to (*a*) late allotment of funds in a number of cases, (*b*) dislocation of railway goods traffic and the consequent delay in the collection of road metal and building materials, (*c*) prevalence of plague and the resulting scarcity of labour in the early part of the year, and (*d*) revision in a few cases of estimates owing to the abnormal prices of European stores; and in the Irrigation Branch (*a*) to a larger proportion of work having been done towards the end of the year owing to a plentiful supply of labour after the completion of harvesting, (*b*) to the payment in March of certain disputed bills in one division, and (*c*) to retardation of works in some localities in the early part of the year owing to prevalence of plague and the occurrence of floods.

In the Punjab, the high percentage cannot be assigned to any specific cause, and was probably due to the tendency on the part of the executive officers to pay in March all work done in that as well as in previous months. Heavy allotment at end of the year was also responsible in certain cases.

In Rajputana the rush was ascribed to (*a*) retardation of work by plague and heavy rainfall in the early part of the year, and to (*b*) the completion of several works in March.

As regards these explanations the only abnormal non-preventible causes are (*b*) and (*c*) under North-West Frontier Province, (*b*) and (*c*) under United Provinces, Buildings and Road Branch, (*b*) and (*c*) under United Provinces, Irrigation Branch and (*a*) under Rajputana.

123. It is desirable to explain the importance of this question which renders a reference to it necessary in every Audit and Appropriation Report. There is nothing inherently wrong in heavy expenditure at any time of the year. But a perusal of the inspection reports of the Public Works divisions in any province will, I think, convince anybody that the desire to record as spent during a financial year the allotment for that year is the most fruitful cause of that manipulation of accounts which consists in misstatements of fact. There is still insufficient realisation of the danger of treating this as a trivial irregularity. But a greater danger than mere inaccuracy of statement is involved. Measurements must form the basis of most payments, and their accuracy is a matter of vital importance. It is, therefore, a matter of grave concern when most of the cases in which their accuracy has to be doubted occur in March. Again in no month except March are payments made before receipt of goods, or stocks issued from store to the site of a work to lie there for months subject to deterioration and under sometimes inadequate supervision. In no other month is work so rushed as to render proper control almost impossible. These are some of the dangers which make this matter important.

As an instance of compressing payments into a few days at the end of March so as to render it apparently impossible or very improbable that the ordinary rules of check can have been applied before payment, I would mention that in one division in the Punjab the expenditure in March 1917 was Rs. 1,97,765 against an average monthly expenditure of Rs. 45,482 for the previous eleven months of the year. 65 cheques amounting to Rs 87,120 were drawn in a sub-division on the 31st March 1917. This rush of payments in a single day entailed :—

(*i*) the writing of 13 pages of the cash book on that day ; and

(*ii*) the preparation of 75 contractors' bills (including 12 certified copies of contract certificates) covering 783 pages of measurement books.

On the 24th March 1917, pay orders were given by the Sub-Divisional officer for different works covering no less than 308 pages of his measurement books. Entries covering payments amounting to Rs. 3,657 passed in previous months were billed and paid for on the 31st March 1917. An additional grant of Rs. 96,700 sanctioned after the middle of February 1917 was apparently responsible for this rush The Local Government ordered that it was the duty of the Executive Engineer to see that payments were made regularly as work was done, though, it was of course in many cases inevitable that the total expenditure in March would be much in excess of the average monthly expenditure and that what was to be avoided was the compressing of those payments into a few days at the end of the month as that sometimes led to mistakes. The attention of the Superintending Engineer was also invited to the late sanction to the allotment of Rs. 96,700 for expenditure in the Division.

124. Under the special procedure referred to in paragraph 103 of the last year's report, provision was made in the Budget Estimates for 1918-19 of the Punjab, Burma, Bihar and Orissa and the Central Provinces for regrants of 5,36, 5,00, 8,29 and 2,00, respectively, out of lapses in the grants for 1917-18. In the United Provinces 4,00 was placed, when preparing the Budget Estimates for 1918-19, at the disposal of the Local Government for the purpose of regranting lapses, and over 3,00 was appropriated in June 1918 to cover reported lapses for which regrants were required early in 1918-19. Similar

...nths in that ...were taken ...no regrants ...Budget Estimates for 1918-19. In Bengal the Local Government anticipated no lapses for regrant during 1918-19. The Madras Government suggested to the Government of India in February 1917, that the procedure in question need not be introduced in Madras as other measures already taken in that province have had a salutary effect. No reply has been received from the Government of India but it is apparent from the statement in paragraph 122 above that in Madras there is no rush of expenditure at the end of the year. The only provinces in which the procedure has resulted so far in a reduction of the percentage of the expenditure incurred in March 1918 to the total expenditure of the year, as compared with the similar percentage for the previous year, are the Central Provinces, Bihar and Orissa and Bombay. It is to be hoped that further improvements will be visible in all provinces as the spending officers become more familiar with the procedure.

Disciplinary action.

125. As anticipated in the last report, the circulation by the Government of India of the comments made by the Secretary of State in his despatch No. 63-Financial, dated 30th November 1917, regarding the disciplinary action taken by the Local Governments to prevent the recurrence of the same class of irregularity year after year, has been beneficial. It is satisfactory to note that during the year under review there has been an appreciable improvement in some provinces in regard to some of the more common types of irregularity. The action now being taken in cases in which there has been actual loss to Government is generally satisfactory. When the irregularities, however, consist of incorrect entries in accounts or other records, there is still a tendency for Local Governments or the superior administrative authorities concerned merely to issue general orders or to express their disapproval of the methods or procedure adopted, or to warn the officers responsible, or to draw their attention to the rules and orders on the subjects at issue. The individual cases of irregularities mentioned in the present report, have already been brought to the notice of the proper authorities by the audit officers and stringent disciplinary action has been taken in some cases, *vide, e.g.*, paragraphs 11 (*b*), 12 (*c*), 12 (*h*), 12 (*i*), 18, 49 (*e*), 50 (*f*), 51 (*f*), 56 (*a*), 68 (*b*), 89, 92 and 102 (*i*) above and 9 (4) of the appendix. Where I have considered such orders to be undoubtedly inadequate, I have drawn the attention of the Local Government to it and have pressed for more severe action, *vide, e g*, paragraphs 12 (*f*), 44 (*b*) and 50 (*h*) above In several cases the final orders of the Local Governments or the superior administrative authorities concerned are still awaited. Although the bulk of the irregularities brought to notice occur in the Public Works Department, severe disciplinary action is less common in that Department than in some of the others.

126. Of the cases included in the last report the disciplinary action taken in the following cases deserves special mention.

In the Assam case noticed in paragraph 11 (*h*) of my last report, the Local Administration have punished the Nazir of the Sub-Divisional office, who was found responsible for the irregularity, by degradation and stoppage of promotion for three years.

As regards the Madras case mentioned in paragraph 12 (*c*) of my last report, the Local Government ordered that out of Rs. 2,606-10-0 embezzled, roughly one-half or Rs. 1,300 should be recovered in instalments from the Manager, the Accountant and the two Superintendents of Police during whose tenures of office the defalcations took place and that the balance should be written off.

I ... he head of the office was permi... was removed from the servic... arned, and certain sums were ...

I... m Administration called upon ... 25 per cent. of the amount

of loss to Government, *viz.*, Rs. 803-3-2 in six instalments, and sanctioned the write-off of the balance.

127. Several Local Governments expressed the difficulty found in taking adequate disciplinary action in some cases owing to the long interval that elapsed between the occurrence of an irregularity and the bringing of the same to the notice of the Financial Department of the Local Government through my Audit and Appropriation Report. Whilst considering the measures that could best be adopted to remove this defect, I received notice from the Head of one Province that he had requested the Account Officer to report immediately to the Financial Secretary all cases in which he is not satisfied with the action taken by the Department concerned on an irregularity brought to its notice, and stated that the final orders of the Local Government would, in future, be communicated to the Account Officer by the Financial Secretary. I welcomed this procedure and urged other Local Governments and Administrations to adopt it. Replies are still awaited from the Bombay Government and the Central Provinces and Assam Administrations. The others have all accepted it, and instructions have been issued accordingly to the Account Officers of those provinces.

APPROPRIATION AUDIT.

128. The net grants, after taking into account all modifications sanctioned during the year, have been exceeded under several heads. The following table brings together the excesses under each head under Imperial, which require the sanction of the Government of India :—

[*Imperial.*

	India, excluding Baluchistan.	Madras.	Bombay.	Bengal.	Burma.	Bihar and Orissa.	Total.
efunds and Drawbacks	...	...	74	...	13	...	87
nterest on other Obligations (Posts and Telegraphs).	2	...	...	...	...	...	2
Posts and Telegraphs	6,85	...	...	...	...	...	6,85
ao. Political	...	6	21	...	...	...	27
26-A. Agriculture	17	...	...	...	...	...	17
28. Civil Furlough and Absentee Allowances	1	...	...	...	...	...	1
29. Superannuation Allowances and Pensions	5	...	...	...	...	...	5
32. Miscellaneous	6,92	...	...	...	57	...	7,49
35. Construction of Protective Irrigation Works	...	2	...	...	...	...	2
36. Reduction or Avoidance of Debt	19,13	...	...	...	...	...	19,13
38. State Railways—Working Expenses	79	...	...	...	...	...	79
38. Do. Share of Surplus profits, etc.	16	...	...	...	...	...	16
38. Do. Interest on Debt.	13,40	...	...	...	...	...	13,40
41. Miscellaneous Railway Expenditure	4,41	...	...	...	...	...	4,41
42. Irrigation—Major Works—Working Expenses (P. W. D.)	...	1	...	...	...	...	1
Interest on Debt	...	75	...	2	...	...	77
43. Irrigation—Minor Works and Navigation (P. W. D.)	...	...	...	23	...	...	23
45. Civil Works (Public Works Department)	...	...	...	2	...	2	4
46. Army—							
Administration	4,03	...	...	...	...	...	4,03
Military Accounts	96	...	...	...	...	...	96
Supply and Transport (including Farms)	7,56	...	...	...	...	...	7,56
Veterinary Services	18	...	...	...	...	...	18
Army Clothing Department	12	...	...	...	...	...	12
Medical Services	6	...	...	...	...	...	6
Medical Stores	8,76	...	...	...	...	...	8,76
Ordnance Establishments, etc	8,34	...	...	...	...	...	8,34
Ecclesiastical	38	...	...	...	...	...	33
Education	13	...	...	...	...	...	13
Miscellaneous Services	58,67	...	...	...	...	...	58,67
Indian Munitions Board	7,40	...	...	...	...	...	7,40
Conveyance by Rail	21,33	...	...	...	...	...	21,33
Rewards for Military Services	9	...	...	...	...	...	9
Pensions	65	...	...	...	...	...	65
46-A. Marine	18,16	...	...	...	...	...	18,16
47. Military Works	...	...	...	1	...	...	1
51. Initial expenditure on the New Capital, Delhi	51	...	...	...	...	...	51
TOTAL	1,89,24	84	95	28	70	2	1,92,03

129. The following table brings together the excesses under each head under Imperial, Provincial and Special, which (excepting the excesses under Provincial in Bombay) have been regularized by the sanctions of the Local Governments or Administrations concerned :—

[*Imperial, Provincial and Special.*

—	Baluchistan	North-West Frontier Province.		Madras.		Bombay.		Bengal.		United Provinces.		Punjab.	Burma.		Bihar and Orissa.	Central Provinces.		TOTAL.		
	Special.	Impl.	Spl.	Impl.	Provl.	Impl.	Provl.	Impl.	Provl.	Impl.	Provl.	Impl.	Impl.	Provl.	Provl.	Impl.	Provl.	Impl.	Spl.	Provl.
1. Refunds and Drawbacks	...	...	...	3	...	1,12	...	2,04	13	...	...	...	25	...	...	1	...	3,45	...	13
3. Land Revenue	2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2	...
5. Salt	...	...	...	32	...	...	...	...	...	...	...	...	...	...	...	...	...	32	...	...
6. Stamps	1	...	...	...	...	2	2	...	...	...	...	...	...	...	...	...	...	2	1	2
9. Customs	...	...	...	...	...	...	...	49	...	...	...	...	...	...	...	...	...	49	...	...
10. Income-tax	...	...	1	1	1	...	...	...	...	...	...	...	1	2	...	...	...	2	1	3
11. Forest	...	...	...	...	7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	7
12. Registration	1	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	1	...
13. Interest on Ordinary Debt	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
19A. Law and Justice—Courts of Law	2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	1	...	2	1
19B. Do. —Jails	...	...	...	...	36	...	8	...	...	...	...	...	...	...	11	...	...	...	...	55
20. Police	...	...	...	...	...	...	...	...	...	...	...	...	...	3,40	...	...	10	...	...	3,50
21. Ports and Pilotage	...	...	...	...	3	...	...	...	78	...	...	...	...	...	...	...	...	...	...	81
22. Education	...	...	...	...	...	...	1,30	...	...	...	...	...	...	...	...	...	...	...	...	1,30
23. Ecclesiastical	...	...	...	4	...	3	...	3	...	...	...	...	...	...	...	...	...	10	...	...
24B.—Sanitation	3	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	3	...
25. Political	...	...	...	...	...	...	16	...	...	...	...	...	...	...	...	...	...	...	...	16
26B.—Scientific and Miscellaneous Departments	1	1	...	...	...	...	...	...	...	...	41	...	...	...	...	...	...	1	1	41
28. Civil Furlough and Absentee Allowances	...	...	...	...	...	...	...	...	...	...	...	2	...	...	...	...	...	2	...	...
29. Superannuation Allowances and Pensions	...	...	...	3	...	17	...	...	...	...	...	2	...	...	...	...	...	22	...	...
30. Stationery and Printing	...	...	...	...	21	...	27	...	...	...	...	...	...	...	...	...	...	...	...	48
32. Miscellaneous	...	...	...	...	...	...	...	...	...	6	...	3	...	...	...	...	25	9	...	25
33. Famine Relief	...	...	...	...	...	...	1	...	...	...	...	...	...	...	...	...	...	...	...	1
43. Irrigation—Major Works—Working Expenses (P. W. D.)	...	...	...	1	2	...	...	...	...	...	...	...	...	...	...	...	...	1	...	2
Interest on Debt	...	...	...	...	74	55	55	...	2	...	1,63	...	...	...	1	...	...	55	...	2,95
42. Irrigation—Minor Works and Navigation (P. W. D.)	...	...	...	...	...	...	...	...	22	...	...	...	...	...	...	...	...	...	...	22
TOTAL	10	1	1	44	1,44	1,95	2,39	2,56	1,15	6	2,04	7	26	3,42	12	1	36	3,36	11	10,92

Explanation for excesses.

130. The more important excesses are explained below:—

In India Civil (excluding Baluchistan), the excess under 26A.—Agriculture (17) was due to the fact that the probable savings anticipated in the Budget were not fully realised. The excess under 32—Miscellaneous (3,92) was due to adjustment aggregating about rupees 8 lakhs made in the final accounts for March 1918 under the head 'Charges for remittance of treasure' chiefly in connection with gold shipped from Australia and New Zealand. Under 36—Reduction or Avoidance of Debt the excess was due to a larger amount being available for adjustment under this head owing to savings having occurred in the Budget grants for 33—Famine Relief and 35—Construction of Protective Irrigation Works. Under 51—Initial expenditure on the New Capital, Delhi, the excess was due to inaccurate forecasting of liabilities.

In Madras, the excess under 42—Irrigation—Major Works—Interest on Debt (75) was the result of a higher rate of interest having been adopted in the accounts, than was anticipated.

In Bombay, the excess under 1—Refunds and Drawbacks was due to the payment of drawbacks in March 1918 in consequence of heavy re-exports, and to a large refund of customs duty to the Kashmir Durbar having been adjusted in March 1918 (final). Under 25—Political the excess (21) was due to the payment of 50 made in 1916-17 on account of a gift to the Sultan of Shahr and Mokolla, having been adjusted under this head during the year 1917-18 under the orders of the Secretary of State; but no allotment was sanctioned to meet the charge.

In Bengal, the excess under 43—Minor Works and Navigation (Public Works Department) (23) was mainly due to the fact that a receipt of 74 anticipated in the Budget on account of value of canal surplus land to be taken over by the Calcutta Improvement Trust was not realised.

In Burma, the excess under 1—Refunds and Drawbacks was due to unforeseen expenditure in the closing months of the year. Under 32—Miscellaneous, the excess was due to an unexpected charge of 75 paid in February and March 1918 to the Agent for Government consignments, Madras, on account of freight on 75 lakhs of rupees remitted from Madras to Rangoon.

Under 15—Posts and Telegraphs the excess was due mainly to payment of war allowances, for which an additional grant was applied; but as it was then too late, sanction was not accorded.

Under Railways, the excesses under 38—State Railways, Working Expenses (79) and Share of Surplus Profits, etc. (16) were not foreseen in time to admit of additional grants being applied for before the end of the year. The excess under 38—State Railways—Interest on Debt (13,40) was chiefly due to the interest on non-specific debt in England having been charged at a lower rate than provided for in the Budget, the result being that the decrease under England has correspondingly increased the amount of interest under India. The excess under 41—Miscellaneous Railway expenditure (4,41) occurred in the auxiliary accounts of the Accountant General, Railways.

Under 46—Army, the excesses over the grants under the several minor heads amounted to 1,18,66, and were due to more expenditure having been incurred in the closing months than anticipated when the Revised Estimates were framed. The excesses under Military Accounts (96) and Veterinary Services (18) occurred under travelling and contingent charges; the excess under Supply and Transport (including farms) occurred under hire of transport (6,00), miscellaneous (3,50) and dairy farms (3,50); and that under Medical Stores (8,76) was due to higher prices and larger requirements of medical stores owing to war conditions. The excess under Ordnance Establishments (8,34) was due to a sum of 10,71, on account of aviation stores, for which provision existed in the Home Estimates, having been passed out for adjustment in India through the Secretary of State's Remittance Account under a recent arrangement. The excess under Miscellaneous Services (58,67) occurred chiefly under the sub-heads, North-West Frontier (24,00) and Miscellaneous (36,50) under the head, War—India. The excess under Indian Munitions Board (7,40) was due to greater activities in the operations of the Board; and that under

Conveyance by Rail (21,33), to more railway charges on the conveyance of troops and stores owing to war *conditions*. The excess under Pensions (65) was due to more charges for war pensions and gratuities, the recoveries in respect of which from the Imperial Government were adjustable in the Home Accounts.

Under 46 A—Marine, the excess (18,16) was due to unforeseen charges incurred in the closing months of the year on labour for Bombay Dockyard, provisions for yard craft ratings, heavy purchases for stock, passage and conveyance of officers and men, and repairs to, and coal used by, His Majesty's ships of [illegible] ional compilation of advances to contract [illegible] etc., in connection with the war, pending [illegible] contributed to the excess.

War Accounts.

131. The following remarks are not confined to the year under review, but refer also to the year 1918-19.

The volume of work, which the war has thrown on the Military Accounts Department of [illegible] ge rise in 1918-19 as compared w [illegible] success of the great German o [illegible] in the year to rally again to the assistance of the Empire. Steps were accordingly taken to raise and train an additional 500,000 men in the twelve months commencing from the 1st June 1918; and to meet the increased demand for munitions of war, the activities of the Indian Munitions Board were largely expanded in every direction with a consequent rise in the outlay in India on the purchase and manufacture of military stores. The expenditure in India on Military Services chargeable to the revenues of India which stood at £24·3 million in 1917-18 is expected to amount to £39·9 million in 1918-19. The net amount of expenditure debited to His Majesty's Government in 1917-18 in the war accounts of the Central War Controller was £68·8 million after allowing for a credit o [illegible] cost of [illegible] of net c [illegible] million for the 'normal cost' of the Indian Expeditionary Forces, and (2) £13·1 million for the special contribution offered by the Government of India towards the 'normal cost' of an additional body of 100,000 men raised in India and certain other items of connected expenditure. Apart from the charges recorded in these war accounts, there are certain other items of expenditure connected with the war (*e.g.*, on account of transports chartered in England) which are recovered from the Public Departments of His Majesty's Government, other than the War Office, outside the war accounts of the Central War Controller. The amount of such expenditure in 1917-18 was about £3 5 million; and in 1918-19 it is estimated at about £4 million. Further, there was a large increase in the volume of expenditure which is charged to 'War Stores Suspense account,' and the balance at debit of the account which stood at about £7·6 million at the end of 1916-17, rose to £12·6 million at the end of 1917-18 and is expected to amount to £25·5 million at the end of 1918-19. **General.**

132. To cope with the heavy increase in work referred to in the preceding paragraph, further additions have been made during 1918-19 both to the superior staff and subordinate establishments of the Military Accounts Department. To relieve the pressure on the military account offices, the civil account offices were also instructed to audit the initial charges connected with the recruitment of large bodies of men in the provinces.

133. Towards the end of 1917-18, a Controller of Contracts was appointed to supervise the purchase of all foodstuffs and various other articles for the use of troops. All financial and accounts work, connected with the purchases arranged for by this officer, was entrusted to the Central War Controller, one of whose deputies is attached to the office of the Controller of Contracts.

134. In paragraph 116 of my last Report, I mentioned that steps were being taken for the maintenance of proper accounts at the various factories, workshops and depôts of the Indian Munitions Board. It was, however, discovered in the course of audit, that several of the local officers of the Board were not paying due attention to the instructions which had been issued on the subject of the maintenance of store and manufacture accounts. To arrange for the proper maintenance of these accounts and to render financial assistance to the Provincial Controllers of Munitions, representatives of the Central War Controller were appointed at Calcutta, Bombay and Madras in August 1918 and at Karachi in October. At Calcutta and Bombay the officers are now employed in re-constructing the past accounts in some cases up from the bills on which payments were made for stores purchased and from all available documents regarding issue of stores.

135. As regards Ordnance Factories, it was intended to introduce with effect from 1st October 1918 the scheme of decentralising the cost accounts, to which a reference was made in paragraph 118 of my Audit and Appropriation Report for 1916-17. A scheme for this purpose was drawn up and approved by me. But its introduction had to be postponed owing to the temporary absence from India on duty of the Central War Controller; and the scheme is being introduced from 1st April 1919. Representatives of the Central War Controller have now been posted to each Ordnance Factory.

136. About the end of 1917-18, a body of troops was sent to North-West Persia, and arrangements were made by the War Office for the maintenance of proper accounts of the connected local expenditure. In August 1918, it was, however, discovered that the arrangements were not working satisfactorily; and as the troops were under the administrative control of the General Officer Commanding-in-Chief, Mesopotamia Force, the accounting arrangements were transferred to the control of the Government of India. A Field Controller of Accounts was appointed for the North Persia Force to deal with the accounts of local expenditure from October 1918.

137. About the same time, arrangements were made for the posting to Birjand and Meshed of a financial and accounts staff to deal with the expenditure of the troops employed in East and North-East Persia. A Field Account Officer was also appointed to the Bushire Force.

138. In December 1918, an important change was made in the financial organisation of the Mesopotamia Force. The functions of the Chief Accounts Officer and Financial Adviser were separated; and a Deputy Field Accountant General was appointed to perform the functions of the former. A Deputy Controller of Audit and Accounts has also been appointed for the forward area. Earlier in the year, an independent audit officer had been appointed for the Agriculture and Irrigation Directorates.

139. With a view to facilitating the prompt settlement on demobilisation of the accounts of British soldiers in Indian payment, the preparation of the accounts of all British warrant officers, non-commissioned officers and men of British units serving in India and Burma, who are borne on regimental pay lists, was transferred from the 30th November 1918 to a Fixed Centre Disbursing Officer at Poona, working under the control of the Field Controller of Military Accounts. The accounts of British troops both in India and in the field are now being prepared on loose leaf ledgers and arrangements have been made for the revision of past accounts in cases where the men have not signified their acceptance of the correctness of their accounts.

Audit.

140. The system of preparation of the accounts of Indian troops on a nominal basis is working smoothly and satisfactorily, both from the point of view of the commanding officers and the audit authorities.

141. As already stated, the store and manufacture accounts relating to the operations of the Indian Munitions Board in certain cases have not yet been completely settled; and representatives of the Central War Controller are now engaged at Calcutta and Bombay in building up these old accounts from the outset. Arrangements have also been made for proper stock-taking at Calcutta and Bombay by stock-verifiers working under the representatives of the Central War Controller.

142. In the course of audit of the bills of purchasing officers of the Indian Munitions Board, certain cases came to light in which the rates passed by the executive officers were obviously high. The matter was brought by the Central War Controller to the notice of the Board in August 1918 and important suggestions were made with the object of securing more adequate financial control over these purchases. Orders have recently been issued by the Board accepting these suggestions generally.

143. In November 1918, arrangements were made with the co-operation of the General Officer Commanding-in-Chief, Mesopotamia, for the introduction of a stricter financial discipline in respect of the issue of advances of pay to officers in the field and of the accounts of imprest holders. To prevent heavy overdrafts, limitations have been imposed on the account of personal advance which an officer can draw in the field in any month; and an Advance Book has been introduced which an officer must produce before the field treasure chest officer when he desires to draw an advance of pay. Instructions have also been issued for the proper maintenance of accounts by imprest holders and for the prompt submission of such accounts and the supporting acquittance rolls.

144. Rece
that the store
those relating
tions, the Military Accountant General has asked for a further report on the latter accounts.

145. The want of adequate arrangements in the field in respect of the
departments
m India to
earlier years
of the war. Disputes over transit losses have also occurred several cases
between the supplying and receiving officers; and the matter has been further
complicated by the fact that masters of hire
for transit losses in stores carried by them.
more effective arrangements for the prompt
stores supplied from India to Mesopotamia ha
of the Government of India for some time; an
they accepted a proposal made by the local authorities
of the latter should take over the stores at Indian ports and give final receipts for them. Before, however, the necessary organisation could be provided, information was received about Turkey's surrender; and it was decided not to proceed further with the matter. In cases where after repeated attempts, supplying departments, or audit authorities, in India have failed to obtain a consignee's receipt, with or without a deficiency statement, the value of the stores shipped from India is debited in the war accounts, provided that there is adequate evidence of shipment.

146 No change was made during the year under review in the system of compiling war accounts. **Accounts**

General Remarks.

147. The following remarks are not confined to the year under review, but refer also to the year 1918-19.

148. The only important change of classification during the year under review, related to the Delhi Province. **Changes of Classification.**

The receipts accruing from the New Capital Project with the exception of the sale proceeds of land sold outright and of materials and tools and plant had hitherto been adjusted under "XXXI—Civil Works—Delhi Project" but the Secretary of State has decided that all receipts of whatever nature should be credited in reduction of the Capital outlay, retrospectively from the commencement of the Project.

L

Inspections and Test-Audits.

urs by the

149. In the year 1918-19, I visited the following offices:—

CIVIL ACCOUNT OFFICES.

(1) Office of the Accountant General, Bengal.
(2) „ „ „ „ Bihar and Orissa.
(3) „ „ „ „ United Provinces.
(4) „ „ „ „ Bombay.
(5) „ „ „ „ Punjab.
(6) „ „ Comptroller, India Treasuries.
(7) „ „ „ Assam.

POSTS AND TELEGRAPHS ACCOUNT OFFICES.

(8) Office of the Accountant General, Posts and Telegraphs.
(9) „ „ Deputy Accountant General, Posts and Telegraphs, Nagpur.

MILITARY AND MILITARY WORKS ACCOUNT OFFICES.

(10) Office of Examiner of Accounts, Military Works.
(11) „ Controller of War Accounts.

RAILWAY ACCOUNT OFFICES.

(12) Office of the Accountant-General, Railways.
(13) „ „ Chief Auditor, North-Western Railway
(14) „ „ „ „ Eastern Bengal Railway.

During the cold weather of 1918-19 I was prevented from touring owing to urgent work at headquarters in connection with the Montagu-Chelmsford Report.

Inspections by Deputy Auditors General and Deputy Accountant General, Railways.

150. The work of inspection and test-audit by Civil Deputy Auditors General continued to be suspended during the year 1918-19 owing to the shortage of officers in the Department. Although the war has ended and officers are returning from leave and from deputation, others are proceeding on leave and it will be some time yet before the inspection work can be resumed.

The same remarks apply to the inspection of Railway Audit Offices by the Deputy Accountant General, Railways.

The ordinary inspection work of the Military Deputy Auditors General remained suspended throughout the year 1918-19, as in the previous year. The Military Deputy Auditor General, Southern Command, continued to visit the account centres in India in connection with British Troops accounts, scrutinising the correspondence in connection with last-pay certificates, non-effective accounts and family allotment rolls, in order to bring to light any marked defects in the work. He also held special classes of instructions at Poona for the training of the additional Army Officers and Deputy Examiners sanctioned by Government for the inspection of accounts of Indian units and depôts. He was placed on special duty in connection with the recent formation of the fixed centre Disbursing Office at Poona and the Central Record Office at Bombay, for the audit of accounts and maintenance of records of all British units in India and Burma. In addition to this, both he and the Military Deputy Auditor General, Northern Command, were employed in inspecting the accounts of various units and depôts of the Indian Army.

Press Accounts.

The Examiner of Press Accounts and his staff inspected the Government Presses during 1918-19. The settlement of the contractors' paper account, (which had not been maintained after the introduction, from 1st April 1915, of the system of supplying contractors with the exact amount of materials required for each job), took a considerable time of a large portion of the

staff. It involved the preparation of a complete record of the transactions since 1st April 1915, from the files in the contractor's office and the vouchers in the Stationery Office The Indore Agency Press accounts were also audited and inspected at the special request of the Agency. The accounts in all the Presses examined were found to be generally more or less well kept, excepting in one case where various irregularities were noticed in the posting of paper accounts for 1917-18.

Custom House Accounts.

The Examiner of Customs Accounts was engaged during the year 1918-19 in carrying out a test audit of the accounts of the Bombay, Madras and Karachi Custom Houses. No serious irregularities worthy of special mention were noticed during the year under review.

Inspection of Treasuries and Public Works Divisions.

151. Owing to their importance, the inspection of treasuries and of Public Works divisions by accounts officers was not allowed to suffer during the year under review by the shortage of officers. A proposal is now under ... —Land Revenue, etc., of District officers ... If this is eventually adopted, the inspe-...

quarters. At present, the main ol... see that the procedure laid down t... observed. The inspection of a ... different object. A very large and important part of the audit and check, *viz.*, that against initial records and against estimates and agreements, is effected locally at inspections. It is not possible to exercise that check or audit at headquarters. I am considering a proposal to have the complete accounts of at least one sub-division in each Public Works division test-audited during the inspection of the division

Local Audit Department.

152. ... the departmental accounts of the numerous ... uasi-public bodies such as those referred t... rt, the Local Audit Department in the different ... the audit of a large number of local bodies, *e g.*, ... nds, Local Boards, Notified Areas, Cantonment ... Trust Funds and Court of Wards. The work of ... expanding and developing, as new accounts are ... and the income and expenditure of local funds in several provinces increase. This extension of work necessitated an increase of the Local Audit staff in some provinces during the year under review. In addition to the regular periodical inspections and audits, the Department was occasionally required in some provinces to undertake special audits either in connection with the accounts of private bodies, or in connection with defects or suspected mal-administration of particular items of Government accounts. The attention of the Department in some provinces was also engaged during the year ... formulation or improvement of accounts and account rules of ... The inspections of the accounts of Government institutions, ... the Department during the year, showed that, generally ... accounts remained in a satisfactory state, but disclosed a few ... financial irregularity, some of which have already been ... present report.

Changes of Rules and Procedure.

...ay ...unts: ...nge in the ...rocedure for audit of ...labour bills.

153. The book of financial powers, referred to in pa... report, has since issued.

154. The question how far it is the duty of an Au... ...ent of India or the Secretary of ...

the matter have ... Department Resolution No 5...

Revision of the Public Works and Civil Account Codes.

155. An officer has been placed on special duty in connection with the preparation of the new Public Works Department and Public Works Accounts Codes mentioned in paragraph 137 of the last report. The Executive Code has been finally approved for publication. The Accounts Code will not be ready for some time as it will have to be brought into conformity with the recent changes in rules and procedure in connection with the amalgamation of the Civil with Public Works Accounts. The same officer has also been entrusted with the reprinting of the Civil Account Code.

Finance and Revenue Accounts.

156. The question of the revision of the Railway portion of the Finance and Revenue Accounts, referred to in paragraph 143 of the last year's report, is still under consideration.

System of Payment of Government dues by cheques.

157. I am considering, in consultation with the Controller of Currency and Civil Accounts officers, the question whether it is not desirable that cheques drawn by private individuals and bodies should be accepted at treasuries in payment of Government dues or in settlement of other transactions, so far as this can be done with reasonable safety.

Simplification in accounts or audit processes.

158. No new measure of simplification was initiated during 1917-18. The only points which need be mentioned here are the following :—

(a) Decisions have been arrived in respect of detailed heads under :—

(i) Salaries.

(ii) Establishments under 3—Land Revenue.

(iii) The major head 22—Education.

(b) The new system referred to in paragraph 140 (c) of the last report, by which supplies of service stamps may be obtained by officers without any money having to pass in the course of the transaction, has also been extended, with slight modifications, to the Railway and Military Departments.

(c) In the Punjab the budget estimate of the cost of permanently sanctioned appointment will be prepared in future in the office of the Accountant General and the details of such establishment (except those of gazetted and non-ministerial appointments) will be omitted from the printed estimates. The Local Government will also decide, in consultation with the Accountant General, whether in future details of gazetted and non-ministerial establishments will be shown in the printed estimate. The introduction of this system, with or without modification, in other provinces has been left to the discretion of the Local Government concerned.

General Provident Fund.

159. The withdrawal of the concession of permitting the substitution of life policies for subscription to the General Provident Fund has been approved by the Government of India and recommended to the Secretary of State for sanction. If sanctioned, this will apply to future entrants only.

Public Works Accounts.

160. The scheme of the revised system of Public Works Accounts, referred to in paragraph 136 of my last report, has been finally approved by the Government of India, who have desired that it should be introduced completely so as to govern the preparation of all the accounts of 1919-20. The Government of India have, however, allowed discretion to Local Governments to adopt the Bengal system of accounts, in whole or in part, should they desire to do so. The main features of the revised system are :—

(a) Synchronisation of the Public Works and Civil Accounts;

(b) Payment of salaries, travelling allowance and contingencies from treasuries on bills, instead of by cheques;

(c) Introduction of the civil system of sectional audit for non-gazetted establishments of the Public Works Department; and

(d) Abolition of letters of credit.

Railway station accounts.

161. A scheme of local audit of station accounts in substitution for the present system of audit in a Central Office has been introduced in two sections of the North Western Railway as an experiment The object is to reduce establishment without impairing the efficiency of audit. The scheme is as yet in too early a stage for the expression of any opinion.

Training of Junior Public Works officers in accounts rules and procedure.

... damental princi- ... have suggested ... ent, that these ... officers may be attached to a division for a certain period in the beginning of their service and then be attached to the offices of the local Accountant General for a short period. It is hoped that the knowledge thus obtained will minimise the number of financial and account irregularities now occurring in this Department.

Press Accounts.

... nually by actual count ... Contractors for Printing ... Commerce and Industry ... discontinuance of the ... existing procedure and ... audit of the accounts ... new procedure are under consideration, ... troduction of uniform depreciation rates ... Commerce and Industry Department, referred to in paragraph 142 of my last report.

Emergency procedure in connection with the execution of urgent military works.

164. The emergency procedure in connection with the execution of urgent military works, referred to in paragraph 149 of the last report, has since received the approval of the Secretary of State. It was not, however, possible to effect any reduction in the balance of expenditure placed under objection in audit remaining unremedied to the end of July 1918, as the actual working of the new proposal was not settled by the audit office in correspondence with the Director General till the middle of October 1918. Thus the actual effect of the procedure is *yet to be seen.*

Railway Accounts: Improvement of the system for the audit of free passes.

... was effected during the year in the methods ... the passes issued to employés of the North ... edure was that laid down in paragraph 132, ... Open Line Code All collected passes were, or were supposed to be, examined singly and checked with the returns of free passes issued; irregularity statements had to be made out, and various statements compiled. This procedure was practicable so long as the number of passes to be dealt with was small, but not when, as on the North Western Railway, the number of passes issued monthly amounts to about twenty thousand. A new system, which a year's working has shown to be a distinct improvement, has been introduced on the North Western Railway. Each officer issuing passes is now made responsible for seeing that passes issued by him are not irregularly used, and are *returned after use, and that effective action* is taken where the privilege is abused. The Chief Auditor at his periodical inspections sees that due *attention is given to these points.* The question of the introduction of this procedure on *the other* two State Railways has been taken up.

Railway Accounts: Change in the procedure for audit of labour bills.

166. The audit of l ... during the year. Formerly, while each bill ... hich had already been applied in ... original check in muster rolls was omitted. ... lity lay the Audit Office and certain other processes, where the ... and the duties of ... The with the officer submit ... sential the District Offices in ... is come bill on receipt is exam ... dit in requirements of audi ... lled in back, 10 per cent. ... original muster sheets which are ... conjunction with the original procedure which has worked most satisfactorily for this purpose. The revised procedure which has worked most satisfactorily has been introduced on all the three State Railways.

Railway Workshop Accounts.

167. The Accountant General, Railways, continued his investigation of the Workshop Accounts Committee's Report during the year under review, taking up the recommendations separately and dealing with them in a series of notes which were sent through the Railway Board to the management of the North Western Railway. Almost all the proposals were accepted and introduced on that Railway and the decisions arrived at were also communicated by the Railway Board to the Eastern Bengal and Oudh and Rohilkhand Railways for consideration and adoption. At the end of the year the changes had not been in operation for a sufficiently long time to judge of their effect, but there is no doubt that, besides reduction of work and of the staff employed in the compilation of the accounts, the reforms introduced will enable the accounts to be ready at an earlier date for the use of the administrative authorities. The reforms that have so far been introduced are briefly described below.

Outturn Statement.—This very voluminous return which gave details work by work as to description, authority and expenditure, the last classified under labour, stores, general charges, etc., in respect of items adjusted during the month and outlay incurred during the month on works in progress, has been abolished.

Suspense Accounts.—Under previous rules, outlay incurred in workshops had to be retained on the suspense account of the workshops until the bill for the work was accepted by the Officer or Department for which it was done. Thus delay in acceptance delayed the clearance of the suspense account. District officers have now been instructed to record on their requisitions the head and sub-head of account to which the expenditure is chargeable.

General Charges and Indirect Charges.—A working rule has been devised for the calculation of 'General Charges' and 'Indirect Charges.' which, while producing the same result as the present method of calculation, effects a large saving of time and labour.

Simplification of the accounts of running sheds.—The distinction made in these accounts between labour employed in cleaning, etc., and repairs has been abolished and the cost of the whole of the establishment employed and material used in the running shed is taken direct to the revenue final head, thus abolishing for these running sheds the maintenance of a workshop account on account of repair works.

Petty Jobs.—It has been arranged that in the case of individual jobs for other departments and private persons estimated to cost not more than Rs. 500, the debit to the department or person concerned should be of a fixed sum estimated by the Works Manager or other authorised officer as the probable cost, the estimate to be an all-inclusive one, that is, one which takes into account cost of labour, stores, and all general and indirect charges. All jobs under Rs. 500 will under this proposal be charged to one work order headed 'minor jobs' which will be credited with the amounts received for such jobs.

Labour Pay Sheets.—The revised procedure followed in respect of labour pay sheets of the Engineering Department described in paragraph 166 has been extended to the labour pay sheets of the Locomotive and Carriage and Wagon Departments.

Posts and Telegraphs Accounts.

168. To enable the Audit Officer to exercise a proper scrutiny over the recovery of telephone rents, which constitute an important source of revenue to the Telegraph Department, telephone returns submitted to Audit will show in future the length of the line, the number of instruments, etc. The new system is at present under trial.

Miscellaneous.

War work in account offices other than military.

169. The pressure in the Account Offices, even in those not directly concerned in military matters, on account of extra work imposed by the war continued during the year under review, and the staff in those offices remained depleted on account of deputation of officers and clerks in connection with war work. The extra work was mainly in connection with recruiting charges, the First Indian War Loan, accounts of hostile firms, custody of enemy property, family allotments of men on field service, expenditure on enemy internment camps, and payment of pensions due to the war.

In every Civil Account office notably those of the Accountant General, Bombay, and of the Comptroller, India Treasuries, there were other exceptional forms of extra work due to the war. In Railway Audit offices the considerable increase of military traffic and the collection of surcharge on freights have added to the labours of the staff. But the offices which have felt the strain most severely have been the Posts and Telegraphs Audit Offices. The expanded operations in Mesopotamia, the increased number of Field Cash Accounts, frequent transfers and return of men from and to the field, the accounts of the Field Post Offices, the large increase in the number of undeliverable money orders consequent on the movements of troops and camp followers, and the work in connection with cash certificates have imposed an unprecedented burden In addition to all this, the money order work has increased enormously.

170. In connection with the recommendations made by the Royal Commission on Public Services in India, certain proposals connected with the recruitment of the members of the Indian Finance Department and the rate of pay for Accountants General have been submitted by the Government of India to the Secretary of State. *Indian Finance Department.*

[illegible] below shows separately for the years 1912-13 [illegible] the cost of audit establishments for the [illegible] and Telegraphs Departments bears to the total amount of receipts and expenditure audited for those Departments. It will give a rough indication of the extent to which the numerous and, in some cases, important reforms (*e.g.*, the amalgamation of Civil and Public Works accounts, and simplifications of different accounts and audit rules and procedure), which have been introduced in Government Audit offices of late years, have resulted in a reduction of the proportionate cost of audit. *Cost of Audit establishments.*

—	1912-13	1917-18.
(1) Total Civil and Public Works Receipts and Expenditure	78,86,68	87,13,75
(2) Total cost of Civil and Public Works Audit Establishment	47,67	50,45
Percentage of (2) on (1)	604	579
(3) Total cost of Posts and Telegraphs Receipts and Expenditure	76,81,60	1,03,35,87
(4) Total Posts and Telegraphs Audit Establishment	11,05	12,87
Percentage of (4) on (3)	·144	124

172 In connection [illegible] other works for Military [illegible] er, manufacture of lime, [illegible] was sanctioned under 'Suspense.' [illegible] that although the project estimate [illegible] thereof had not been sanctioned [illegible] decided which of the projected works were to be taken in hand first, contract agreements for the manufacture of bricks, timber and lime as provided for in the sanctioned estimates referred to above, had been duly executed and accepted by competent authority. It was pointed out that the collection of such large quantities of materials seemed to be unnecessary and that it would tend to far greater economy were the collection of these materials confined to the actual

annual requirements of the work intended to be undertaken. The amount of the original contract agreement has since been reduced by Rs. 1,97,957 and the execution of the works has been sanctioned by the Government of India.

From a scrutiny of the stock returns of a Public Works division in Assam it was seen that there were many items, which had not been operated on for more than two years. It also appeared that when indents were made for materials to meet the requirements of works in progress, the list of articles in stock was not always consulted, *e.g.*, there were in the stock list of a sub-division corrugated iron sheets of different sizes with a book value of over Rs. 1,200 and a market value of over Rs. 4,000. The sheets were originally obtained for certain projected works which had been indefinitely postponed, but similar sheets for another work under construction were indented for on the 26th November 1917. On pointing this out to the Executive Engineer the indent was modified and a saving of about Rs. 2,000 was effected. The necessity for utilizing as far as possible the stock materials for works in progress was suggested by the Audit Office to the Local Administration, who issued orders on the subject.

Services rendered by the Indian Finance Department in connection with the war.

173. Out of a total cadre of 166 officers and some 5,000 men, the Indian Finance Department has spared 51 officers and about 900 men for services in connection with the war, of whom 22 officers and 26 men were employed on purely military duty. Two of the officers have been killed in action, one has been missing over two years and several clerks have met death whilst on active service.

Four officers have been awarded distinctions for war services, the honours including two C. B. E's., a D. S. O. and a M. C., and three officers and four accountants have been mentioned in despatches.

The majority of the officers and men have undertaken financial, audit and account duties and much valuable service has been rendered. But the Department has had representatives in the Infantry, Cavalry, Gunners, Royal Engineers, the Supply and Transport, and Flying Corps and on every front. In England, the officers of the Department have worked in the Admiralty Labour Department, the Admiralty Intelligence Department, the office of the Controller of Merchant Ship Building, the Ministry of Munitions, the War Office and the India Office. In Mesopotamia, the Director of Blockade, Mesopotamia Expeditionary Force, was a former member of the Department, while other officers have worked in Local Resources and in Food Control. The deputation of such a large proportion of the officers and men has thrown a very great amount of extra work on to the shoulders of those who have had to remain behind, in many cases against their will.

Action taken on previous Reports.

174. The case mentioned in paragraph 45 (*e*) of the Audit and Appropriation Report for 1914-15, relating to the Bombay Government, is still outstanding. All the items brought to notice in the Report for 1915-16 have been settled with the exception of the case mentioned in paragraph 45 (*b*), relating to the United Provinces and a few cases relating to Burma and Bombay, which are under correspondence with the Local Governments concerned. As regards the report for 1916-17, some items have been settled and the others are either under correspondence or await the report of the Local Government or Administration, as to the action taken. I have not yet received any report from the Burma Government, the Local Administrations of the Delhi Province and the North-West Frontier Province, the Railway Board and the Department of Commerce and Industry of the Government of India, regarding the action taken on the irregularities relating to 1916-17, which concern them. Reminders have been sent to those authorities.

M. F. GAUNTLETT,

Comptroller and Auditor General.

The 8th April 1919.

Appendix.

Details of further cases referred to in paragraphs 11, 14, 20, 41, 42, 44, 47, 49, 56 and 62-A of the report.

Civil Department.

1. (1) A sum of ... Police for Secret Ser... charges at the time of the year 1917-18 At the request of the ... had proceeded ... otherwise be — **lapses of Budget grants.** *Ajmer-Merwara.*

(2) A District Forest Officer drew on the 28th March 1918, a sum of Rs. 225 on account of certain construction and repairs works On the Audit Office calling for sub-vouchers, two payees' receipts for Rs. 75 and Rs. 130-1-9 *only were furnished in August 1918, and the* unspent balance of Rs. 19-14-3, was adjusted on the 1st October 1918. The receipts furnished *showed that payments had not been made till the 10th July and 15th August 1918,* respectively. *Madras.*

(3) A sum of Rs. 86-11-9 was drawn on the 25th March 1918 by a Deputy Commissioner for supply of liveries to Excise peons, while payments of Rs 67-6-0 and Rs 19-5-9 were made on the 6th June 1918 and 10th September 1918, respectively. The Deputy Commissioner explains that the amount was drawn before March 1918 to *prevent* its lapse. The matter has been reported to the Local Administration whose orders are awaited. *Central Provinces.*

... from the treasury on the 30th March 1917, by ... unt was remitted to a ... are pipes which were not ... h was dated the 12th ... cost of the earthenware ... al audit during 1917-18. *Assam.*

... account it was noticed that two sums ... asury on the 26th March 1917, on ... y remittance transfer receipts on the ... *he 12th April 1917 from one firm, and*

In both cases the irregularity was reported to the Local Administration, who have censured the officers concerned.

... lost from the house of a Sub-Treasury officer who had been in **Loss to**

(2) There was a loss of furniture and mathematical instruments to the extent of Rs. ... 9-10 from the stock of a Land Records Office. The Superintendent failed to exercise proper ... was stopped The

... the ... the — **Overpayment occasioned by negligence.** *Delhi.*

total was wrongly shown as Rs. ... latter amount, and the treasury officials apparently failed to check the arithmetical calculation. The overpayment of Rs. 1,000 was recovered in March 1918, and the Treasury Officer was warned by the Local Administration to be more careful in future.

4. (1) A Divisional Forest Officer drew an advance of Rs. 1,340-12-0 in May 1917, and Rs. 604-8-0 in *June 1917, for purchasing post office* cash certificates. The irregularity was brought to the notice of the officer. The amounts were recovered in September 1917. — **Irregular use of Government money.** *Burma.*

(2) Similar advances of Rs. 170-8-0 and Rs 439 for the same purpose were drawn by two other Divisional Forest Officers in April and May 1917 respectively, and were fully recovered.

The cases have been reported to the Local Government and their orders are awaited.

5. The Superintendent of a Jail charged in his contingent bill for *April 1917 a sum of* Rs. 312-8-0 being the cost of *Jowars* purchased in February 1917. On enquiry as to why the charge was not drawn *during the year in which it was incurred, the officer stated that* out of the expenditure incurred on the above account Rs 550 was charged in March 1917, and, as there was no balance available from the year's grant, Rs. 312-8-0 was drawn during the next year. The Local Administration issued necessary instructions to the disbursing officers prohibiting the above practice which was opposed to the code rules. — **Postponement of liabilities to evade audit objections.** *Baluchistan.*

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Double claims preferred and paid.
Madras.

6. (1) A teacher in a Government Girls' School drew on the 8th October 1917 a sum of Rs. 16-9-0 on a contingent bill, which was not countersigned by the Inspectress of the Circle. The same amount was again drawn on the 8th January 1918 on a contingent bill countersinged by the Inspectress. The second claim was noticed in the course of audit, and the Director of Public Instruction has since reported that the amount was recovered from the teacher and remitted to the treasury on the 4th November 1918, and that her services were dispensed with.

Bombay.

(2) Grants-in-aid amounting to Rs. 838 for giving code pay to the teachers of primary schools and for the improvement of the pay of untrained teachers of a certain municipality were paid twice in March 1918, once on bills preferred by the President of the Municipalities and countersigned by the Educational Inspector and again on bill preferred by the Deputy Educational Inspector. The excess payment was recovered in June 1918. As such grants are adjusted in the Accountant-General's office, no cash payment was admissible, and yet the Treasury Officer paid the grant twice. The Local Government ordered that the attention of the officer concerned should be drawn to the irregularity and he should be requested to take suitable measures to avoid the recurrence of such irregularities in future.

United Provinces.

(3) (i) The sum of Rs. 8-12-0, on account of pension for November 1916, was paid twice to a pensioner, once on the 6th December 1916 and again on the 28th June 1917.

(ii) The sum of Rs. 3 on account of pension for May 1917 was paid twice to a pensioner, once on the 6th June and again on the 11th July 1917.

The excess payments in these cases were recovered on the 3rd July and 7th August 1917, respectively.

Bihar and Orissa.

(4) A pension of Rs. 34-8-6 for January and February 1917 was paid twice at a treasury, once in March 1917 and again in June 1917. The excess payment was recovered in September 1917.

(5) A pension of Rs. 1-15-2 for May 1917 was paid twice at a treasury, once in June 1917 and again in August 1917. The excess payment was recovered in October 1917.

(6) A contribution of Rs. 165 to a Dispensary Committee was twice paid by a treasury, once in September 1917 and again in January 1918. The excess payment was recovered in February 1918. The Sub-Treasury officer and the accountant, who were responsible for the double payment, have been warned by the Local Government, and a note of the irregularity has been made in the latter's service book.

Central Provinces.

(7) In a certain Treasury, the payment of interest was not recorded on the reverse of Government Promissory Notes, on two different occasions. This resulted in double payments of interest of Rs. 35 and Rs. 656-4-0, respectively. Recoveries of the second payments were effected subsequently.

Assam.

(8) A sum of Rs. 1,020 on account of grant for the maintenance of a Local Board School for the year 1917-18 was drawn twice by the Chairman of the Local Board, once in September 1917 and again in March 1918. The amount overdrawn was refunded in May 1918. The case was reported to the Local Administration, who warned the Chairman.

(9) A sum of Rs. 35-4-0 was twice drawn from the Treasury by a Superintendent of Police on account of purchase of arms, etc., once in August 1917 and again in November 1917. The amount overdrawn was refunded in March 1918. The matter was reported to the Inspector General of Police, who replied that the Accountant at fault was severely warned and the Superintendent of Police was asked to be more careful when signing contingent bills and registers, and informed that this kind of irregularity would, in future, be severely dealt with. The Local Administration approved of the action taken by the Inspector General.

Erroneous payments of cheques.
Central Provinces

7. In three cases, Public Works Department cheques for Rs. 879-11-0, Rs. 233 and Rs. 58 were wrongly cashed at treasuries other than those drawn upon.

Keeping Government money out of account.
United Provinces.

8. The inspection of treasuries disclosed the fact that certain sub-treasuries kept money outside the accounts for long periods.

(i) A sum of Rs. 80 received in a Sub-teasury on account of the cost of erecting boundary pillars was kept out of accounts from 8th January 1912 to 12th May 1917. The Collector has taken steps to prevent such irregularities in future.

(ii) In two Sub-treasuries three sums of Rs. 23, 162-8-0 and 72-5-10 were kept out of account from November 1916. They were noticed by the Inspecting Officer in April 1917 and the District Officer reported that they had been refunded in August 1917.

No special action was taken by the Local Government in these particular cases.

Public Works Department.

Irregular action with a view to avoiding lapses of Budget grants
Bombay.

9. (1) Bricks—some at kiln and some at roadside—to the value of Rs. 1,028 were purchased by an Executive Engineer in March 1917 by debit to special repairs to a District Local Fund road. A final bill was, however, prepared for the bricks in October 1917 for a *minus* amount and the whole amount previously paid was recovered by deduction from a bill for other works paid in that month. The bricks in question were rejected after a lapse of seven months as they were found on the first outbreak of rain to contain bad earth. The matter was brought to the notice of the Local Government and their orders are awaited.

Punjab.

Audit Office has since asked the Executive Engineer to account for the remaining materials.

Burma. (3) A Sub-Divisional officer showed in his return the issue of paints to the value of Rs. 265-7-0 on the 31st March 1917, charging the same to an estimate for the maintenance of a boat. Out of this, materials costing Rs 68-7-0 were not used and were brought on to stock in April 1917 by credit to the estimate for the maintenance of the boat for the year 1917-18. It was explained that the issues were made between the 5th and 11th March, though shown by the storekeeper as issued on the 31st March 1917. It was, however, admitted that the whole of the paints could not be used in March and that the credit in April was due to the transfer of the materials to another work where they were urgently required. The matter was brought to the notice of the Local Government whose orders are awaited.

Central Provinces. (4) Two bills for Rs. 102-10-4 and Rs. 142-2-4 were paid by a Sub-Divisional officer on the 28th March 1917, for articles which were actually received on the 2nd April 1917. The Local Administration stopped the promotion of the Sub-Divisional officer for six months as a punishment.

Want of, or irregularity in, agreements for the execution of Public Works. *Central Provinces.*

10 In one Division, payments amounting to Rs 7,158-8-0 were made to a contractor between 17th May and 17th September 1917, while the agreement was accepted by the ... the first payment ... all prior to the ... e first payments ... amounting to Rs. 5,082 and Rs. 1,894, respectively, were made prior to acceptance of agreements for the works on the 28th July and 15th August 1917, respectively In a fourth Division, the first payment for a work was made on the 26th December 1916, and a total payment of Rs 8,458 was made prior to the acceptance of the agreement on the 25th July 1917. In a fifth Division, the first payment was made on the 19th March 1917, and the total amount, paid prior to the acceptance of the agreement on the 7th January 1918, was Rs. 2,301

Irregular action with a view to evading financial rules or audit objections. *Punjab*

11. (1) An expenditure of Rs 1,029-9-0 incurred in March 1917, on a work was debited to the estimate for another work and was written back to the former in June 1917, when an estimate was sanctioned therefor. The Local Government invited the attention of the Executive Engineer to the local orders on the subject which insist on the required sanction being obtained promptly.

Bihar and Orissa. (2) In a Division, Rs. 1,254-2-5 were written back in the 2nd Supplementary Accounts for March 1917 from one work to another. The write-back was made simply to avoid an excess over the sanctioned estimate. The Local Government acknowledged that the procedure followed was irregular, and issued a general circular that any similar breach of the rules would in future be seriously dealt with.

Postponement ...

12. In one division eight cases came to notice in which liabilit... incurred in November and December 1916, were postponed till Ap... the allotments for the works in question had been exhausted T... warned by the Local Government not to allow such irregularities to occur again

Irregular upkeep of contractors accounts. *Burma.*

13. Cement to the value of Rs 216 was issued to a contractor in March 1917, but was not debited to contractor's account The final bill was paid in October 1917, and on the omission being pointed out recovery of the value was made in November 1917. The matter has been reported to the Local Government

Delays in crediting cash *United Provinces.*

... in cash along with the tenders for ... he rules In one ... till the 6th June ... the cash book on the 12th June 1917. The delay was ascribed to oversight, and the clerk responsible was punished by reduction of four places in the seniority list. The Local Government passed no orders.

Central Provinces.

... of Rs. 23, i.e. ... period from ... k bungalow ... d and fined ... oks and the ... if a weekly ... on taken to inspection was found inconvenient. The Local Administration considers ... prevent the recurrence of such delays as sufficient.

Irregularities in connection with materials-at-site accounts. *Madras.*

15 Materials (screw gearing shutters Rs. 1,333 and cutstones and bricks Rs 278) purchased for a work before March 1914, had been erroneously charged off to sub-heads and not included in the accounts of 'materials-at-site'. As the work was indefinitely postponed the existence of the materials was lost sight of both in the Sub-Divisional and Divisional offices.

II.—Central Finance.

4. I do not propose this year to attempt a review of the financial position of the Government of India.

III.—Provincial Finance.

(NOTE.—The figures without the 'Rs.' symbol before them in all subsequent paragraphs are in thousands of rupees.)

Comparison of the revenue and expenditure accounts of the Provincial Governments.

5. The following table prepared from the Finance and Revenue Accounts compares the revenue and expenditure accounts of the several provincial Governments during 1922-23 and 1923-24. The figures do not agree in all cases with those given in the Appropriation Reports, as all provincial Accountants General did not follow the same method in exhibiting these figures in their reports:—

Provincial Government.	REVENUE.		EXPENDITURE.		SURPLUS + DEFICIT —			Improvement + and worseness — in 1923-24 as compared with 1922-23.	Total surplus + deficit — for three years (1921-22 to 1923-24).
	1922-23.	1923-24.	1922-23.	1923-24.	1921-22.	1922-23.	1923-24.		
1	2	3	4	5	6	7	8	9	10
Madras . .	12,57,75	12,99,38	12,60,77	12,63,07	−98,72	−3,02	+36,31	+39,33	−65,43
Bombay . .	14,17,20	14,52,82	13,53,17	14,23,45	−1,91,20	+64,03	+29,37	−34,66	−97,80
Bengal . .	9,84,96	10,13,17	9,59,21	9,77,95	−2,15,47	+25,75	+35,22	+9,47	−1,54,50
United Provinces.	10,06,05	10,31,14	10,70,98	10,47,50	−1,47,87	−64,93	−16,36	+48,57	−2,29,16
Punjab . .	8,27,90	9,15,83	8,85,44	8,04,01	−1,71,43	−57,54	+1,11,82	+1,69,36	−1,17,15
Burma . .	8,67,93	8,58,18	10,24,28	8,85,08	+14,03	−1,56,35	−26,90	+1,29,45	−1,69,22
Shan States Federation.	18,18	58,28	11,25	39,44		+6,93	+18,84	+11,91	+25,77
Bihar and Orissa.	4,94,11	5,28,29	4,63,24	4,84,34	−15,35	+30,87	+43,95	+13,08	+59,47
Central Provinces and Berar.	5,15,34	5,17,12	4,89,57	4,94,42	−23,52	+25,76	+22,70	−3,06	+24,94
Assam . .	1,84,43	2,10,88	2,05,47	1,90,02	−23,69	−21,03	+20,86	+41,89	−23,86
Total .	75,73,85	78,85,09	77,23,38	76,09,28	−8,73,22	−1,49,53	+2,75,81	+4,25,34	−7,46,94

The figures in the columns under "Revenue" in the above table represent the *net* revenue of the provincial Governments, after payment of the contributions due to the central Government under Rule 18 of the Devolution Rules and completion of miscellaneous adjustments between the central and provincial Governments. The total of the contributions should amount to 983 lakhs, but in the year under review the actual figure was 920 lakhs, as in the previous year. The figures in the columns under "Expenditure" include the balances transferred to the Famine Insurance Fund under Schedule IV of the Devolution Rules.

Column 8 of the table shows that during the year under review there were deficits in the case of the United Provinces and Burma only, and column 9 indicates that, except in the case of these two Governments and of the Governments of Bombay and the Central Provinces, the financial position of all provincial Governments has improved, the improvement being very marked in the case of the Government of the Punjab.

Column 10 of the statement shows that the revenue deficits for the three years 1921-22 to 1923-24 combined were highest in the case of the Governments of the United Provinces, Burma and Bengal in that order.

Borrowings of the Provincial Governments during 1923-24.

6. Funds were borrowed by the provincial Governments in 1923-24 in order to meet capital expenditure on irrigation works, industrial development and permanent works of public utility, to finance the transactions on

account of provincial loans and advances and, in some cases, to repay a portion of the outstanding balances of advances taken previously. The majority of the loans was taken from the central Government, which advanced the following amounts:—

To Madras	81,25
„ Bombay	10,25,21
„ United Provinces	1,03,90
„ Bihar and Orissa	7,00
„ Central Provinces	30,70

In addition to these, the Government of the Punjab raised a loan of 1,91,97 in the open market to finance capital expenditure on irrigation works.

Discharge by the Provincial Governments of loans taken from the Central Government

7. The statement below shows the repayments by provincial Governments of advances outstanding against them on the provincial loan account under Devolution Rule 23:—

Madras	9,50
Bombay	29,00
United Provinces	25,00
Bihar and Orissa	4,99
Central Provinces	4,62

In addition to the above, the following amounts were repaid by local Governments in discharge of the outstanding balances of advances taken under Devolution Rule 25:—

Madras	76,19
Bombay	63
Bengal	4,55
Punjab	1,00,38
Central Provinces	1,28

Provincial balances.

8. The drafts on provincial balances during the year under review are set out in the following statement.—

Government	Opening balance	Closing balance	Drafts on balances
Madras	8,55	12,52	—3,97
Bombay	4,33,95	5,82,40	—1,48,45
Bengal	90,92	1,29,64	—38,72
United Provinces	1,41,16	1,44,50	—3,34
Punjab	3,74	72,16	—68,42
Burma	3,68,36 }	3,04,00 }	+64,36 }
Shan States Federation . . .	6,93 }	25,72 }	—18,79 }
Bihar and Orissa . . .	1,43,28	1,75,93	—32,65
Central Provinces	77,62	1,72,44	—94,82
Assam	21	23,28	—23,07
Total .	12,74,72	16,42,59	—3,67,87

In determining the true financial position of the provinces, the following facts must be taken into consideration.

The closing balances include the balances of the Famine Insurance Fund on the 31st March 1924, as noted below :—

Madras	12,40
Bombay	94,10
Bengal	6,04
United Provinces	90,47
Punjab	7,73
Burma	85
Bihar and Orissa	32,60
Central Provinces	72,27
Assam	31

The closing balance in Bombay includes the unexpended portion of the advances obtained from the Government of India, amounting to 50,67.

In the United Provinces, the Punjab and Burma, the closing balances include the unspent balances of the United Provinces Development Loan, the Punjab Development Loan and the rice-control profits fund, which amount to 1,85,65, 45,43 and 3,36,42, respectively.

In certain cases therefore, and particularly in those of the United Provinces and Burma, the position is by no means as satisfactory as would appear from a mere scrutiny of the statement.

Financial condition of the provinces.

9. The financial situation of the different provincial Governments has been discussed in detail in the reports prepared by the various Accountants General, and I have commented upon the facts in my letters forwarding these reports to the Governments concerned.

I shall therefore confine my present remarks to the smallest space consistent with the presentation of an adequate summary of the position in each case.

Remission of Provincial contributions.

10. While the measure has no immediate bearing on the financial position of the provinces at the end of the year under review, it is essential, in anticipating future developments, to bear in mind the remissions of provincial contributions which have been made in the year 1925-26. There is, of course, no certainty that the whole of these remissions will be repeated in subsequent financial years. The actual amounts remitted by the Governor General in Council under rule 18 of the Devolution Rules are as follows :—

	Rs.
Madras	1,26,02,000
Bombay	22,00,000
Bengal	63,00,000
United Provinces	56,17,000
Punjab	61,16,000
Burma	19,65,000
Central Provinces	9,00,000
Assam	6,00,000
	3,63,00,000

Madras.

11. The revenue account of the Government of Madras for the year under report showed a surplus of 36,31. As compared with the previous year, the revenue increased by 41,63 and the expenditure by 2,30, thus causing a *net* improvement by 39,33. In paragraph 17 of my letter forwarding the last appropriation reports, I referred to the appointment of a retrenchment committee by the provincial Government. That Government has up to now accepted recommendations of the committee which involve immediate savings of approximately 18 lakhs a year, which will

ultimately expand to 35½ lakhs. This is in addition to the curtailment of expenditure under pay and contingencies which was effected before the appointment of the committee. Some of the reductions made have been of a drastic nature, justifiable only by extreme financial stringency. Paragraphs 20 to 23 of the appropriation report on the accounts of the Government of Madras for the year under report give some particulars of the future liabilities of the provincial Government Most important are the recurring liabilities of 19 lakhs and the non-recurring liabilities of 24 lakhs with which the province will eventually be faced in pursuance of the Madras Elementary Education Act of 1920 There are also non-recurring liabilities estimated at over a crore on account of grants-in aid, as well as heavy liabilities, at present unestimated, in connection with the repair of damage wrought by floods It is anticipated that the obligatory expenditure due to the last-named cause will bring about a revenue deficit in the accounts for 1924-25 The local Government is, however, fully alive to the situation.

12. There was a surplus of 29,37 in the revenue account of the Government of Bombay. In comparison with the previous year, the revenue increased by 35,62 and the expenditure increased by 70,28, with a resulting worseness of 34,66. The situation would have been even less satisfactory but for savings in expenditure of 64 lakhs and an increase in revenue of 40 lakhs The important permanent and temporary new commitments undertaken in the year under review, which are detailed in paragraph 18 of the appropriation report, amounted to 46,43 and 14,69 respectively, while the non-recurring commitments in the P W D at the end of the year amounted to about 4 crores The heaviest outstanding liability is that of 25,62,65 on account of the Bombay Development Scheme and the Lloyd Barrage and Canals Construction Project Expenditure on account of interest on ordinary debt which, after deducting the amount transferred to commercial departments, amounted to 1,46,68 during the year under report, must necessarily increase with the annual additions to the provincial Government's borrowings From paragraph 5 of the report it will be seen that a revenue deficit of 90,65 is anticipated for the year 1924-25, which affords justification for the belief expressed by the Accountant General that the finances of the Province will shortly reach a critical stage *Bombay*

13. The revenue surplus of the Government of Bengal amounted to 35,22 Compared with the previous year, the revenue improved by 28,21 and expenditure grew by 18,74, thus causing a *net* improvement of 9,47. The improvement in revenue occurred mainly under "Stamps" and "Excise", which showed an increase of 14,51 and 8,75 respectively over the figures for 1922-23. Neither the enhancement in the rate of stamp duty nor the Amusement Tax imposed in 1922-23 brought in the revenue anticipated and the receipts from the Amusement Tax were in fact less than in the previous year. The continued depression in trade is responsible for the failure of revenue from stamp duty to come up to expectations No new commitment of importance involving liabilities extending over future years was made during the year under report *Bengal*

14 There was a *net* improvement of 48,57 in the revenue account of the United Provinces, due to a growth of revenue by 25,09 and a fall in expenditure of 23,48 In spite of this, there was still a deficit for the year of 16,36, bringing the total of the continued deficits of the three years of the Reforms up to the figure of 2,29,16 As in the previous year, loan funds to the extent of 7 lakhs must have been utilised to meet this deficit The local Government has been at great pains to find ways and means of balancing the budget, but its efforts have not hitherto been crowned with success Orders have, however, yet to be passed on the recommendations of the Economy Committee, and the recent remission of part of the annual contribution to central revenues should, if it is repeated, ease the situation The commitments on the Sarda Oudh Canal and the Sarda Kitchha feeder amount to 7,23,15 and those on other irrigation works to 67,69 The commitments on civil works total 1,02,30. *United Provinces*

Punjab. 15. As compared with 1922-23, the revenue of the Punjab improved by 87,93 and the expenditure fell by 81,43, thus causing a *net* improvement of 1,69,36. The revenue account showed a surplus of 1,11,82. The *net* deficit of the first three years of the reformed constitution amounted, however, to 1,17,15. Moreover, it must be remembered that the revenue of the year under review was enhanced by certain abnormal receipts which are not likely to continue as a feature of subsequent years, and that expenditure was curtailed by the simple expedient of postponing certain payments which must untimately be inevitable. On the other hand, financial stability will undoubtedly be increased in future by the reduction of 61 lakhs in the amount of the contribution to central revenues, if this is repeated after the current year. The improvement in revenue accrued mainly under 'Land Revenue' (41,26), 'Stamps' (7,25), 'Forest' (9,43), and 'Irrigation' (28,33). The decrease in expenditure occurred principally under 'Land Revenue' (3,92), 'Forest' (19,73), 'Jails' (8,96), 'Police' (12,57), 'Agriculture' (2,41), 'Civil Works' (21,74), 'Superannuation allowances and Pensions' (11,45) and 'Miscellaneous' (29,79). The commitments on Public Works expenditure and on forest plantations amounted to 3,41,90 and 16,02 respectively.

During the year, the provincial Government enhanced its canal water rates. from which an additional revenue of about 75 lakhs is expected in an average year. In addition, it passed through its legislature the Motor Vehicles Taxation and Stamp Amendment Acts, which should yield an increase in revenue of approximately 8 lakhs.

Burma. 16. As was the case last year, the accounts of the Burma Government proper and those of the Shan States Federation have been shown separately in the statement given in paragraph 5 of this letter. As regards the Federation, I have no comments to offer. The increase of its balance from 6,93 to 25,72 indicates that its independent financial existence has been satisfactorily inaugurated. The provincial Government itself is in very different case. It is true that, in comparison with 1922-23, the revenue and expenditure of the province during the year under report dropped by 9,75 and 1,39,20 respectively, thus causing a net improvement by 1,29,45. The revenue account showed, however, a deficit of 26,90, and the *net* result of the transactions of the three years 1921-22 to 1923-24 was a deficit of 1,69,22. This deficit would have been greater, had it not been for the use of the balances of the Rice Profits Fund to finance ordinary revenue expenditure. I regard the future prospects of the province with grave concern, and have brought the position prominently to the notice of the local Government in paragraph 12 of the letter with which I forwarded the appropriation report for 1923-24.

I desire to draw particular attention to paragraphs 31 to 40 of the appropriation report, which deal with the question of the utilisation of the rice control profits. I am of opinion that the conditions which were imposed by the Secretary of State upon the utilisation of these profits have been infringed both in the letter and in the spirit. It is significant that, although the decision mentioned in paragraph 36 of the appropriation report was intimated by me to the provincial Government in September 1924, no communication on this subject from that Government had, up to the 5th May 1925, been received by the Government of India for submission to the Secretary of State. I suggest that the Secretary of State should intimate to all authorities in India that, when the Auditor General decides that a reference to the Secretary of State is necessary, such reference should be made with reasonable promptitude. In paragraph 22 of my letter forwarding the appropriation reports for 1922-23, I suggested that it was a matter for serious consideration by the Government of India and by the Secretary of State whether a proper Trust should not be created for the utilisation of the rice control profits, and the facts now brought to light show that this suggestion was justified.

Bihar and Orissa. 17. As compared with 1922-23, the revenue and expenditure of the Bihar and Orissa Government increased by 34,18 and 21,10 respectively,

thus effecting a *net* improvement of 13,08 The revenue account showed a surplus of 43,95 and the balance increased from 1,43,25 at the beginning to 1,75,93 at the close of the year. The financial position of the provincial Government thus continues to be satisfactory. The increase in revenue occurred mainly under 'Excise'. The amount of Public Works expenditure to which Government stood committed at the close of the year was 27,25. The measures of retrenchment adopted by the provincial Government during the year under report are detailed in paragraph 43 of the appropriation report. The price for the issue of excise opium from treasuries to retail dealers was raised by the provincial Government from Rs 63 to Rs 71 a seer. The provincial Government also revised the schedule of rates for the removal of forest produce, and enhanced the duty on country spirit and *ganja*.

Central Provinces.

18 The revenue and expenditure of the Government of the Central Provinces increased during the year under report by 1,78 and 4,85 respectively, with a resultant worseness of 3,07 The revenue account showed a surplus of 22,70. In paragraph 24 of my letter forwarding the appropriation reports for 1922-23, I referred to the appointment of a Retrenchment Committee by the provincial Government The recommendations of this committee led to certain economies which, together with other economies effected by the local Government, are set forth in paragraph 8 on pages 5-7 of the appropriation report on the accounts of the Government of the Central Provinces for the year under report The commitments of the provincial Government are stated in paragraph 9 on pages 7-8 of the appropriation report. The balances at the end of the year under report of all advances made to the provincial Government from revenues or moneys accruing to the central Government amounted to 518 lakhs, out of which a sum of 371½ lakhs, representing advances on account of capital outlay on irrigation works prior to the Reforms, is not compulsorily repayable, although there is nothing in Devolution Rule 24 to prevent a provincial Government from making repayment if it so desires.

Under rule 14 (2) of the Devolution Rules, the revenues of Berar have been allocated, and its administration entrusted, to the Government of the Central Provinces. On the recommendation of the provincial Legislative Council, a committee was appointed by Government in 1921 to investigate the revenues and expenditure of Berar and the Central Provinces and to submit a scheme for a financial settlement between the Central Provinces and Berar which would secure that a reasonable share of Berar revenues should be spent for the benefit of that tract The recommendations of the committee were generally accepted by the provincial Government, and effect was given to them in the financial statement for the year under report They are summarized in paragraph 22 on pages 13 to 15 of the Central Provinces report.

Assam.

19. As compared with 1922-23, the revenue of the Government of Assam for the year under report increased by 26,45 and the expenditure dropped by 15,45, thus causing a *net* improvement by 41,90 The revenue account showed a surplus of 20,86 The year 1922-23 closed with a deficit of 21,04, and there has thus been a great improvement in the financial position. The increase in revenue occurred mainly under 'Land Revenue' and 'Excise'. The measures taken by the provincial Government to reduce expenditure are detailed in paragraph 17 of the appropriation report Government committed itself to fresh recurring expenditure amounting to 1,17 during the year, while at the end of the year its liability on account of large items of non-recurring P W expenditure stood at 2,78

IV.—Appropriation Accounts.

Method of splitting up voted expenditure into grants.

20. In paragraphs 26 and 27 of my letter forwarding the appropriation reports for 1922-23, I gave a brief outline of the manner in which the several demands for voted expenditure were drawn up for submission to

the various legislative bodies in India. The Central Public Accounts Committee, in its report on the accounts for 1921-22, suggested for the consideration of the Government of India that the demands for expenditure on the Posts and Telegraphs Department and on Railways should be increased in number in order to render parliamentary control more effective. As the accounts of the Posts and Telegraphs Department are being reconstructed on commercial lines and an alteration of the form of demands might accentuate the difficulties connected with the change, the consideration of the question of splitting up the Posts and Telegraphs votes has been postponed for the present. The number of demands for expenditure on Railways has been increased, as a tentative measure, from 2 to 15 with effect from the year 1925-26.

21. The question of changes in the form of several other demands also received the attention of both the Legislative Assembly and the Central Public Accounts Committee. The latter body made the following recommendations in its report on the accounts of 1922-23.

(*a*) The first recommendation concerned the territorial demands for grants for expenditure in minor administrations. The Committee considered that it was desirable, in the case of those demands, to follow the general principle that there should ordinarily be one controlling officer for a grant. Wherever, therefore, expenditure incurred in those areas is controlled by outside authorities, such as the Central Board of Revenue (Customs, Taxes on Income, Salt, Opium, Stamps), the Controller of the Currency (Currency) or the Controller of Printing (Stationery and Printing), such expenditure should be included in the grants allotted to those authorities. Similarly expenditure on interest and other expenditure over which the head of the administration can exercise no control should be omitted from the territorial demand, which should include items of strictly local interest only. In order, however, to make it possible to ascertain at a glance from the book of demands for grants the total expenditure in any minor administration, there should be shown as a footnote to the territorial demand the expenditure incurred in that administration on each of the several heads which are shown elsewhere, together with a comparison of the previous year's figures.

(*b*) A second proposal of the Public Accounts Committee was that, while separate grants for expenditure in England should be retained, large items like the expenditure on currency stores should not be included in these demands, which should be limited to expenditure on minor stores, leave salaries, and such items of purely English origin as expenditure incurred on establishments in England.

22. The Government of India have accepted the proposals of the Public Accounts Committee, and have made certain other changes in the form of demands. They have decided to remove all stores from the High Commissioner's grant and to include provision for them, as well as for customs duty payable on them, in the various departmental grants. Now that Government stores have been made liable to duty, it is essential that the duty should be taken into account by the spending departments in considering the comparative cost of goods imported from abroad and goods bought in India. To make this possible, and at the same time to ensure the utilisation of the full provision for purchases in India, it is necessary that both the cost of stores and the customs duty should be included in the departmental grant. The Government of India have further decided that there should be a separate grant for each secretariat department of the Government of India, and have accordingly replaced the single grant for "General Administration" by thirteen, thus giving greater facilities for criticism and review of the administrative activities of the Government.

23. I would invite attention to paragraph 4 on page 21 of the Central Provinces report, which mentions the changes introduced by the Government of the Central Provinces in the preparation of demands for expenditure in England The demands for grants in respect of expenditure in England submitted to the various legislative bodies in India vary so greatly in form that the Secretary of State has strongly represented the desirability of securing uniformity of procedure He has, however, expressed his satisfaction with the form of the estimates for expenditure in England submitted by the Government of India to the central legislature The Government of India have issued a circular letter to provincial Governments requesting them to consider the suggestions made by the Secretary of State

24. In paragraph 27 (b) (2) of my letter forwarding the appropriation reports for 1922-23, I drew attention to the procedure followed by the Governments of Bombay, Bengal, Bihar & Orissa and the United Provinces in presenting one demand for both 'Reserved' and 'Transferred' expenditure recorded under the same major head of account, and this procedure continued in the year under review. In Burma also the local Government in many cases ignored the last sentence of rule 26 (1) of the Provincial Legislative Council rules of business which provides that 'Reserved' and 'Transferred' grants should be kept separate. There are several examples of the same kind in the Assam report. This practice on the part of local Governments permits the Finance Department to re-appropriate between the portion of a grant which is under the control of a Minister and the portion of the same grant which is under the control of a Member This was not contemplated when the Devolution Rules were drawn up and, as stated in my last letter, is inconsistent with the principles underlying the reformed constitution It may be mentioned here that the Government of Bombay have recently issued a resolution prescribing that, except in the case of the head "46—Stationery and Printing", separate demands should in future be moved in the Legislative Council to meet 'Reserved' and 'Transferred' expenditure shown under the same major head of account

Utilisation of Famine Insurance Grant

25. I desire to draw particular attention to the manner in which certain provincial Governments have utilised their Famine Insurance Grants

Rule 2 of the rule in Schedule IV of the Devolution Rules prohibits expenditure of the annual assignments set aside for famine insurance "save upon the relief of famine or the construction of protective irrigation works or other works for the prevention of famine"

From Paragraphs 11 to 13 on page 9 of the Central Provinces report, it will be seen that a sum of Rs. 4,39,190 for the repayment of loans raised for irrigation construction, and for the payment of interest thereon, was, in accordance with the decision of His Excellency the Governor, met from the grant for famine insurance

Similarly, in Bombay, His Excellency the Governor has ruled that the interest charges on loans raised for the construction of irrigation works can legitimately be met out of the Famine Insurance Grant or Fund (*vide* paragraph 31 of the Bombay report), while His Excellency the Governor of the United Provinces has decided that the working expenses of "unproductive" canals, as well as the interest payable on the capital outlay on "protective" irrigation works, or on irrigation works originally classed as productive which do not now yield an adequate return, are debitable to the Famine Insurance Fund (*vide* paragraph 39 of the United Provinces report) Neither working expenses, interest charges nor repayments of loans come under the category of construction of works, and I cannot but hold that the decisions of the three provincial Governments contravene the letter and the spirit of rule 2 of the rules in schedule IV of the Devolution Rules as it stands at present.

This was pointed out to the Central Provinces and Bombay Governments before the decisions under criticism had been finally reached, but in each case His Excellency the Governor, with whom under rule 9 of Schedule IV

of the Devolution Rules rests the decision whether any particular expenditure may be met from the Famine Insurance Grant, disagreed with my opinion.

26. The following statement exhibits for each province the transactions of the Famine Insurance Grant and Fund since their inception in 1921-22, the accrued balance in the Fund at the end of the year under review and the percentage of such balance on the aggregate annual assignments :—

Provinces.	Annual assignments (aggregate for the years 1921-22, 1922-23 and 1923-24).	Expenditure from the Famine Insurance Grant (totals for the years 1921-22, 1922-23 and 1923-24).			Balance of the Grant transferred to Famine Insurance Fund up to 31st March 1924.	Additions to Famine Insurance Fund during the years 1921-22, 1922-23 and 1923-24 (other than those mentioned in column 6).	Withdrawals from Famine Insurance Fund during the years 1921-22, 1922-23 and 1923-24.	Closing balance of the Fund on 31st March 1924.	Percentage which column 9 bears to column 2.
		On Irrigation.	On Debt Services.	On Famine Relief.					
1	2	3	4	5	6	7	8	9	10
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Madras	19,83,000	27,214	..	7,62,709	11,93,077	47.232	...	12,40,309	62·55
Bombay	1,90,80,000	70,84,000	...	29,46,688	90,49,312	3,60.738	...	94,10,050	49·32
Bengal	6,01,000	625	...	29,143	(a) 5,70,857	32,764	...	6,03,621	100·44
United Provinces.	1,18,80,000	11,23,168	...	4,31,689	1,03,25,143	21,74,747	34,53,073	90,46,817	76·15
Punjab	11,43,000	...	..	3,87,793	7,55,207	17,368	...	7,72,575	67·59
Burma	2,01,000	...	...	1,06,654	94,346	7,329	17,250	84,425	42·20
Bihar and Orissa.	34,86,000	49,732	...	1,29,318	33,06,950	5,60,528	6,07,679	32,59,799	93·51
Central Provinces and Berar.	1,41,78,000	23,95,289	4,39,190	40,02,825	73,40,696	7,59,719	8,73,132	72,27,283	50·98
Assam	30,000	...	.	...	30,000	1,416	...	31,416	104·72
TOTAL	5,25,82,000	1,06,80,028	4,39,190	87,96,819	3,26,65,588	39,61,841	49,51,134	3,16,76,295	60·24

(a) An unexpended balance of Rs. 375 of an extra grant of Rs. 1,000 provided by the Bengal Government for Famine Relief in 1921-22 in addition to the annual assignment of Rs. 2,00,000 prescribed in schedule IV of the Devolution Rules was not transferred to the Fund, as the sum was not regarded as forming part of it.

27. It will be seen that in nearly every case the balance in the fund has increased rapidly. In the cases of Bombay and Burma alone is it less than one-half of the accummulated assignments, and even in these cases it exceeds two-fifths. In Bihar and Orissa expenditure from the fund has been negligible, and in Bengal and Assam there has been no expenditure at all. Expenditure of the classes which I regard as contrary to the intention of the Devolution Rules has been incurred, in the year under review, in the Central Provinces only, though such expenditure will doubtless appear in subsequent years in the accounts of Bombay and the United Provinces also. Taking India as a whole, the balances in the funds, after three years working, amount to 60 per cent. of the total annual assignments. Even assuming that the withdrawals from the funds shown in column 8 have been for expenditure on famine relief only, the total expenditure on actual famine relief has been little over 26 per cent. of the total assignments.

28. Having regard to these facts, I am of opinion that the annual assignments payable under the rules towards famine insurance are in excess of modern requirements and this, I suggest, is the main reason underlying

the incorrect decisions to which I have referred in paragraph 25. It is, to say the least, significant that these decisions should have emanated from the three local Governments which are called upon to make by far the largest contributions towards famine insurance and whose balances in the fund are consequently the largest. From paragraph 3 of the Bombay report and paragraphs 9 and 61 of the United Provinces report it is apparent that both these lo[illegible] ...r budgets and it is a [illegible] ...h financial stringency, [illegible] Insurance Fund in order to meet expenditure which it can not conveniently finance from its ordinary balances.

29. I think it will be found—

(1) that the annual assignments were based on experience gained prior to 1910, and

(2) that the experience of the last three years prior to the introduction of the reforms would have shown that for actual famine relief the sums set aside are excessive

I suggest therefore either that the assignments be reduced or that the objects on which they may be expended be enlarged It may be possible to do both.

30. If the rules are to be revised I would accept the argument put forward in paragraph 41 of the United Provinces report If the capital outlay on unproductive works may be financed from the provision for famine insurance, I see no reason why interest charges on such capital should not be similarly met.

31 The year under review was the third year of the reformed constitutions, and as a result of the experience of the two preceding years most local Governments have found it possible to adopt measures or devise schemes of improving effective financial control within their provinces In no case however, were such improvement initiated in time to produce an effect upon the accounts of the year now under consideration

32. In paragraph 28 of my last forwarding letter I mentioned the difficulty due to the introduction of changes in classification after the estimates for the year were framed. The difficulty was not so marked in the year under review. It is hoped that it will not recur at all in future as the majority of provincial Governments has now accepted the principle that changes in classification should not ordinarily be effected during the course of a year if they will make it necessary to account for expenditure under a head other than that under which funds have been provided A scrutiny of the reports for the year under review shows that in all provinces, except Bihar and Orissa, the Legislative Councils were asked to sanction reductions of grants voted by them Reductions of several voted grants were made by the Legislative Assembly of the central Government also As already explained in paragraph 29 of my letter forwarding the appropriation reports for 1922-23, the Government of India have accepted the recommendation of the Central Public Accounts Committee that no re-appropriation should be proposed in placing supplementary demands before the Legislative Assembly, but that the Assembly should be informed when asked for a supplementary grant, of the savings which are likely to occur under other demands The effect of these orders, which were issued towards the close of the year 1923-24, will be visible in the reports for 1924-25. I suggested to provincial Governments that they also should consider how far they could adopt this system. Paragraph 9 of the Burma report indicates that the Government of Burma has agreed to its introduction, and I believe that the Government of the Central Provinces also has adopted a procedure on these lines The Public Accounts Committee of the Punjab Government when considering the matter raised the important constitutional question whether the Legislative Council is competent to reduce or withdraw a grant already voted by it. I understand that the local Government is making a reference on this point to the Government of India.

33. The difficulty which attends the classification of charges under "voted" or "non-voted", and which, as I pointed out in paragraph 30 of my letter forwarding the appropriation reports for 1922-23, is a disturbing factor in controlling grants and insoluble so far as the classification of salaries is concerned, continued during the year under review.

In order to obviate changes of classification between 'voted' and 'non-voted' due to difficulty in interpreting the relevant section of the Government of India Act, I have, at the instance of the Central Public Accounts Committee and with the concurrence of the Government of India, issued instructions to accounts officers in India, so far as central expenditure is concerned, that in cases in which there is any real doubt as to whether particular expenditure is 'voted or non-voted' the classification in the accounts should at the outset follow the budget provision. The doubtful point should, however, be referred to the Government of India for orders, and the orders received should be followed in the preparation of the next budget. In all subsequent years classification will follow the orders, and if in any case those orders have by inadvertence not been followed in the preparation of the budget, the error must be pointed out and rectified. I have also instructed accounts officers to follow the above procedure, with the concurrence of the provincial Governments, in regard to expenditure on provincial subjects, and I consider that if this procedure is introduced the difficulty in controlling grants will be largely obviated

34. In paragraph 31 of my last forwarding letter I mentioned other important factors which led to inadequate control over grants, and outlined a scheme to ensure better financial control within a province which I had placed before provincial Governments for consideration All the local Governments have since introduced systems on the lines suggested, and I consider that when the new procedure is in full working order increased financial control will be secured. I do not, however, expect great results in the first year of its introduction.

The question of instituting a similar scheme of financial control in relation to central expenditure all over India was suggested to the Government of India, who have already issued certain instructions and are considering the desirability of issuing further orders on the subject

35. In paragraph 32 of my letter forwarding the appropriation reports for 1922-23, I suggested, with reference to a case which occurred in Bengal, that it is most undesirable that an allotment which has been specifically reduced by the legislature should be increased by the executive Government in the exercise of its ordinary power of re-appropriation. I would now invite attention to paragraphs 55 and 20 of the Madras and Bihar and Orissa reports, which contain two more examples of such procedure. I have pointed out its undesirability to the Governments concerned. I would mention that the Government of Bengal has now accepted my view of the matter. and would further note that the Public Accounts Committee of the Madras Legislature has not only suggested that an allotment specifically reduced by the Council should not be increased by re-appropriation, but has also recommended that any excess over such an allotment should require a specific sanction of the Legislative Council.

36. I would draw attention to the comments in paragraph 9 of my letter, dated the 28th February 1925, to the Government of Madras (*vide* enclosure V to this letter), on the expenditure under "26—Police. Special Police—Agency Fituri", provision for which was not made in the original demand presented to the Council for the Agency tracts. It has since been decided by the Legislative Department of the Government of India that a vote of the Council is not necessary, either for the expenditure authorised by the Governor under proviso (*b*) to section 72 (*D*) (2) of the Government of India Act, or for that which was met by re-appropriation made by the Finance Department of the local Government under the Devolution Rules.

37. Item 12 under 47 Miscellaneous on page 30 of the Assam report affords an instance of an excess due to a misclassification on the part of the

High Commissioner. I recognise that it must be difficult for the High Commissioner to classify correctly in every case, but I would suggest that he should refer to the budget provision in order to obtain the correct classification and should consult me in any doubtful case.

38. I mention below a few striking cases collected from the different appropriation reports, which seem to indicate lack of adequate financial control apart from incorrect budgeting

(1) CENTRAL REVENUES

(a) Page 20 —Grant No 1 Customs

Although the actual expenditure ultimately fell short of the original grant by 47, the Legislative Assembly was asked on the 20th February 1924 to sanction an additional grant of 3,03

(b) *Page 25—Grant No 2—Taxes on Income.*

A supplementary grant of 5,23 was obtained from the Legislative Assembly on the 20th February 1924, but there was an ultimate saving of 5,40.

(c) *Pages 189-203 and 207-210—Delhi, Coorg, Ajmer Merwara and Central India :—*

There were in the end large savings under these territorial grants, and yet the Assembly was asked to sanction supplementary grants to restore the comparatively small amounts of lump reductions made by the Retrenchment Committee.

(2) POSTS AND TELEGRAPHS

Page 33-V. Presidency and District Offices- Telegraph Signal Offices (Including Telephone Offices)—(e) Apparatus and Plant (f) Maintenance and repairs of buildings.

Although savings of 1,16 and 91 were ultimately realised, additions of 70 and 53 were made by re-appropriation in March 1924 under these two heads

(3) MADRAS.

(a) *Pages 132-33.—45—Superannuation Allowances and Pensions (1) Superannuation and Retired Allowances*

There was an excess of 1,30, although the original appropriation had been reduced by the re-appropriation of 33

(b) *Pages 148-49—Loans between Central and Provincial Governments—Provincial.*

The actual expenditure is about 1,55 *per cent.* in excess of the original grant.

(c) *Pages 150-51.—Loans and Advances by Provincial Governments—(7) Miscellaneous Loans and Advances*

There was an exces of about 67, although the original appropriation had been reduced by the re-appropriation of 1 18

(4) BOMBAY

(a) *Page 40—24, Administration of Justice—[illegible] Court*

The actual expenditure fell short of the original appropriation by about [illegible] 28, yet the Council was asked to vote a supplementary grant of 1,47

(b) *Page 45.—31—Education—D—[illegible]*

Although the actual expenditure [illegible] the appropriation, the Council was [illegible] in March 1924.

(5) Bengal.

(a) *Page 36—7, Stamps—Explanation of Heads (3) and (7) Stamps supplied from Central Stores.*

There was an excess of 2,58 over the combined grant for these two heads, yet no attempt was apparently made to obtain additional funds.

(b) *Pages 48 and 49—Education.*

(i) *Heads 11 and 14.*—The original grants under these heads were reduced, but there were ultimately large excesses.

(ii) *Heads 15 and 22.*—Though the original grants under these heads were increased, there was still excess, indicating that the provison made for an anticipated increase of expenditure was in-sufficient.

(iii) *Heads 17 and 23.*—The original grants under these heads were increased, but the increases were not justified and large savings resulted.

(c) *Page 55—41, Civil Works (24) Repairs.*

Large re-appropriations from this head in the closing months of the year resulted in an excess of over 1,47

(d) *Pages 60 and 61—55. Construction of Irrigation, etc.,—Heads (5) and (12) Deduct—Receipts and Recoveries of Capital Account.*

The excesses under these heads were 3,68 and 2,05 respectively It should have been possible before the March sessions to realise that the recoveries would be less than the estimates and to obtain a supplementary grant to meet the deficiency.

(6) United Provinces.

Page 119—45—Superannuation Allowances and Pensions (1) Superannuation and Retired Allowances.

Actual expenditure was in excess of the original grant by about 90, and yet the Council was asked to vote a reduction of 1,50.

(7) Punjab.

Page 69, Irrigation (A) Extensions and Improvements.

There was a saving of 4,67, and yet the Council was asked so late in the year as January 1924 to sanction a supplementary grant of 4,56.

(8) Burma.

(a) *Page 52—8-Forest.*

There was a gross addition to the grant of over 4,70, not a penny of which was spent.

(b) *Page 66—31, Education—G-Direct Grants to Non-Government Primary Schools.*

The original allotment (81) was more accurate, when compared with the actual expenditure (75), than the final grant (1,01).

(9) Bihar and Orissa

Page 43—25 Jails and Convict Settlements—B. Jail Manufacture.

The actual expenditure was 90 less than the original grant, which was, however, increased by a re-appropriation of 17.

(10) Central Provinces.

Page 57—41 Civil Works (Transferred) (2) Communications.

There was an excess of 2,08, after the grant had been reduced by re-appropriation of 1,68.

(11) Assam.

(a) *Page 37—8 Forests*

There was a net saving of 70, and yet the Council was asked on the 31st March 1924 to sanction a supplementary grant of 40

39. From an examination of the appropriation accounts for the year under review, it appears that in most of the provinces, though not in all, budgeting for ' Loss by Exchange ' and also for expenditure in England was defective in many respects. For instance, the entire provision for ' Loss by Exchange ' on English transactions in connection with both voted and non-voted charges was made by the Governments of Madras, Bengal and the Central Provinces under relevant heads in the ' voted ' section only, while the Government of Assam in the case of certain grants, adopted the opposite course Both procedures were incorrect So long as all ' Loss by Exchange' was shown in lump under the major head ' 40-Exchange ', the provision or the expenditure might be treated as ' voted ' or ' non-voted ' as finally decided by the Governor under section 72 D (3) of the Government of India Act. Now that ' Loss by Exchange ' is distributed under the different major heads, the classification should ordinarily follow that of the sterling expenditure in connection with which the loss occurs. All loss by exchange now brought to account under different major heads should properly be classified as ' voted ' or ' non-voted' according as the sterling transactions themselves are so classified It is understood that the Government of the Central Provinces has followed this method of classification in the Revised Estimates for 1924-25

In the original estimates of the Punjab provision for ' Loss by Exchange ' was made in the voted portion only of each grant. Later in the year, the local Government sanctioned additional grants to cover such loss on certain non-voted transactions also, but no attempt was apparently made to reduce the original provision in the voted section

Other defects noticed, which were more or less general, were —

(a) Inadequate or excessive provision for expenditure in England This is perhaps excusable at first until experience has been gained.

(b) Failure to provide for " Loss by Exchange," even though there is provision for " expenditure in England "

(c) Provision for " Loss by Exchange " which bears a quite unreasonable relation to the provision for " expenditure in England ".

Cases falling under (b) and (c) clearly indicate defective budgeting.

40 The following statement, prepared from the various appropriation reports, shows that in most provinces the proportion of excesses over grants was greater in the case of non-voted than of voted grants As stated in paragraph 37 of my letter forwarding the appropriation reports for 1922-23,

this seems to indicate that the submission of expenditure to the control of the legislature ensures better financial control. The majority of Governments appears to attach little importance to the necessity of formal provision of funds to meet excesses over non-voted expenditure. Such a relaxation of control by the Finance Department cannot conduce to economy of administration.

	—	"Voted" grants.			"Non-voted" grants.		
		Number of grants	Number of grants in which excesses have occurred.	Percentage.	Number of grants.	Number of grants in which excesses have occurred.	Percentage.
1	India	66	9	13·64	72	16	22·22
2	Madras	35	4	11·43	31	8	25·81
3	Bombay	36	4	11·11	25	10	40·00
4	Bengal	27	5	18·52	28	5	17·86
5	United Provinces	28	10	35·71	24	4	16·67
6	Punjab	37	5	13·51	27	9	33·33
7	Burma	31	..	...	25	3	12·00
8	Bihar and Orissa	31	4	12·90	29	6	20·69
9	Central Provinces	36	5	13·89	23	2	8·70
10	Assam	32	9	28·13	27	8	29·63

ropriation t of nditure in land.

41. In paragraph 39 of my letter forwarding the appropriation reports for 1922-23, I mentioned that the responsibility for the appropriation audit of expenditure brought to account in England rests upon the India Office Auditor, to whom all grants for such expenditure and all modifications of such grants should be communicated in detail. It has been noticed from certain of the reports under review that, in the case of single grants covering expenditure both in India and in England, the local Governments notified the Home Auditor of the modifications made in the grants for expenditure in England but made no such communication to the Accountants General in India. The local Governments concerned were those of Madras, the Punjab, Burma, Bihar and Orissa and the Central Provinces. In the case of combined grants for expenditure in India and England, the Home Auditor is, however, responsible for appropriation audit against that particular portion only of a grant which has been sanctioned for expenditure in England. It is the Accountant General in India who alone can conduct appropriation audit in respect not only of the Indian portion of the expenditure but also of the total expenditure in India and in England. It is therefore essential that all modifications in such grants should be communicated to the Accountant General also, in order to enable him to carry out the necessary appropriation audit. I have brought this matter to the notice of the provincial Governments.

42. I invite attention to the comments in paragraph 14 of my letter, dated the 15th May 1925 to the Government of the United Provinces (*vide* enclosure VIII to this letter), regarding the increase in the percentage of establishment charges to expenditure on works and repairs. I consider that I have now sufficient evidence to justify me in urging each local Government to investigate the question for itself, and I propose to do so in the near future.

V.—Public Accounts Committees.

43. In dealing with the appropriation reports for 1922-23, the Public Accounts Committees were in a better position than they had occupied in the

previous year. The new financial system was now in better working order Many of the initial difficulties inseparable from a change in system had been surmounted, and the system itself began
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the appropriation reports have for the most part been scrutinized in greater detail, and that in many cases questions of importance have been raised and definite recommendations put forward

44. Copies of the reports made by the Public Accounts Committees after considering the appropriation reports for 1922-23 have been received, except that of the Public Accounts Committee of Burma Although the appropriation report prepared by the Accountant General, Burma, for the year 1922-23, dealt with accounts of the province relating to a period prior to the introduction of the Reforms, the report was considered by the Public Accounts Committee (*vide* paragraph 76 of the appropriation report on the accounts of Burma for the year under review) whose report is awaited There was no occasion to appoint a special committee to consider the appropriation report on the accounts of the Central Provinces for 1922-23, as suggested in paragraph 41 of my letter forwarding appropriation reports for 1922-23. A committee on Public Accounts was subsequently constituted in that Province which dealt with the report

45. Valuable reports have been presented by the Public Accounts Committees of the Central Legislative Assembly and of the legislatures of the Punjab, the United Provinces and Madras which appear to have dealt with the appropriation reports most thoroughly

It may, however, be mentioned that the Accountant General, Madras, has stated that the members of the Madras Public Accounts Committee do not appear to have taken the same interest in the appropriation report for 1923-24, which they took in previous reports

The action taken by the Bihar and Orissa, Central Provinces and Assam Committees also can be considered as adequate The same cannot, however, be said in the case of Bombay and Bengal. In Bombay the Public Accounts Committee dealt exhaustively with the audit report but could not find time to deal in detail with the appropriation report; while they prepared no formal report but merely submitted to Government the minutes of their proceedings One member appended a protest to the effect that a formal report should be drawn up and presented With this view I concur

In Bengal the appropriation report was placed before the Public Accounts Committee before I had submitted my comments, which did not therefore come up for consideration by the Committee The latter's report, moreover, gives rise to the impression that more importance is attached to the audit report than to the appropriation report. I am of opinion that at present this view is incorrect, as it is more important at the present stage to ensure a correct and adequate system of financial control than to investigate individual irregularities, and I have pointed this out to the Bengal Government.

In every case but one the Accountant General attended the majority of the meetings of the Public Accounts Committees In the one excepted case the Deputy Accountant General attended The Auditor General was present at all the meetings of the Central Public Accounts Committee and also had the opportunity of attending one meeting of the Public Accounts Committee in the Punjab and one in Assam.

VI.—Declarations by the Governor General, the Governor, or the Governors in Council as regards classification of expenditure.

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VI —Declarations by the Governor General, the Governor, or the Governors in Council as regards classification of expenditure.

46 Declarations made by the Governor General or the Governors in Council as regards the classification of expenditure have been mentioned in

the various reports under the section "Changes in Classification". I desire, however, to draw attention to the following declarations:—

(*a*) The classification mentioned in paragraph 75 (B) (13) on page 43 of the appropriation report on the accounts of Burma for the year under review has subsequently been revised. His Excellency the Governor has since decided to treat as 'non-voted' the expenditure on the travelling allowance of officers whose pay and allowances are 'non-voted'. As pointed out in paragraph 47 (*c*) of my letter, forwarding the appropriation reports for 1922-23, this classification, which has been adopted by the Government of Bombay also, is contrary to that adopted elsewhere, and to the express declaration of the Governments of Bengal, Madras and the Punjab.

(*b*) From paragraph 75 (B) (14) on page 44 of the Burma report, it appears that His Excellency the Governor has made a declaration under Rule 7 of the Devolution Rules that "Public Works in connection with buildings for the use of departments dealing with reserved subjects are to be regarded as reserved" In this connection I would draw attention to the opinion previously expressed in paragraph 37 of my letter forwarding the appropriation reports for 1921-22, that the intention of the Devolution Rules is to treat as a transferred subject the construction and maintenance of all buildings, even though they be in the occupation of a reserved department, unless that department is specifically entrusted with their construction and maintenance.

These cases lend further importance to the question whether the Secretary or State should not be the final authority as regards classification.

VII.—Authorisation of expenditure by Governments.

47. The Government of the Central Provinces presented for the vote of its Legislative Council supplementary demands to cover excesses over two voted grants brought to notice by the Accountant General in his appropriation report for 1922-23, but the demands were rejected by the Council. In order to regularise the excess expenditure, His Excellency the Governor has certified the expenditure as essential under section 72 D (2) of the Government of India Act.

48. In the year under review, expenditure was certified by Governors under section 72 D (2) (*a*) and (*b*) of the Government of India Act in the following provinces:—

Madras (paragraphs 57—64 of the report), Bengal (paragraph 7 on page 20 of the report), the United Provinces (paragraph 101 of the report), the Punjab (paragraph 67 of the report), Burma (paragraph 26 of the report), the Central Provinces (paragraph 2 on page 20 of the report, and Assam (explanatory notes (5) and (9) on pages 16 and 17 of the report).

The total number of cases in which powers of certification were exercised by a Governor in respect of the year under review was thirteen, of which five cases occurred in Madras. This constitutes a considerable increase over the three cases mentioned in paragraph 48 of my letter forwarding the appropriation accounts for 1922-23.

49. I would invite attention to paragraphs 25—28 on pages 10-11 of the Burma report. The additional grant of Rs. 8,93,975 certified by the Governor was a *net* figure, made up of an addition of Rs. 10,30,575, under 'voted' and of a reduction of Rs. 1,36,600 under 'non-voted' expenditure.

As no re-appropriation from ' non-voted ' to ' voted ' grants can be made by an authority other than the legislature, the correct procedure would have been to certify the full sum of Rs 10,30,575 in the voted section of the budget

I have the honour to be,

SIR,

Your most obedient servant,

J E. C JUKES.

Offg. Auditor General

No 930 Admn /228-25

Copy forwarded to all local Governments and Accountants General and the Comptroller, Assam for information

B N MITRA,

for *Auditor General*

DELHI :
The 8th July 1925.

SCHEDULE.

Appropriation reports for 1923-24.

1. Appropriation report on the accounts of Central Civil expenditure by the Accountant General, Central Revenues.

2. Appropriation report on the accounts of Army, Marine and Military Works by the Military Accountant General.

3. Appropriation report on the accounts of the Posts and Telegraphs Department by the Accountant General, Posts and Telegraphs.

4. Appropriation report on the accounts of Railways in India, by the Accountant General, Railways.

5. Appropriation report on the accounts of the Madras Presidency by the Accountant General, Madras.

6. Appropriation report on the accounts of the Bombay Presidency including Sind by the Accountant General, Bombay

7. Appropriation report on the accounts of the Bengal Presidency by the Accountant General, Bengal.

8. Appropriation report on the accounts of the United Provinces of Agra and Oudh by the Accountant General, United Provinces.

9. Appropriation report on the accounts of the Punjab by the Accountant General, Punjab.

10. Appropriation report on the accounts of Burma by the Accountant General, Burma.

11. Appropriation report on the accounts of Bihar and Orissa, by the Accountant General, Bihar and Orissa.

12. Appropriation report on the accounts of the Central Provinces by the Accountant General, Central Provinces

13. Appropriation report on the accounts of Assam by the Comptroller, Assam.

ENCLOSURES.

Enclosure I.

FROM J. E. C. JUKES, ESQ , C I.E., I C S , OFFG. AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, NO. 852-ADMN./44-25, DATED THE 24TH JUNE 1925.

SUBJECT:—*Appropriation Report on the accounts of the Central civil expenditure for 1923-24*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of all central civil expenditure (excluding expenditure on Railways and Posts and Telegraphs) for the year 1923-24, prepared by the Accountant General, Central Revenues, for necessary action on the lines *indicated in* paragraphs 3 and 4 of my letter No 872 Admn /734-21, dated the 15th May 1922, as amended by my letter No 2201 Admn /734-21, dated the 21st December 1922. *This report includes the reports prepared by the various* provincial Accountants General and the Controllers of Military Accounts and the Audit officer, Indian Stores Department, in respect of the portions of central civil expenditure under their audit control and has been issued by the Accountant General, Central Revenues, as one consolidated report on all central civil expenditure (excluding expenditure on Railways and Posts and Telegraphs)

2 I [illegible] (Statement " A ") in which [illegible] or non-voted, is [illegible] expenditure was 22,95 lakhs less *than the original and* 24,08 *lakhs less than the* final grant.

Statements " B " and " C " enclosed show the excesses over " voted " and " non-voted " grants which require the sanction of the Legislative Assembly and of the Government of India respectively

3 I offer the following comments on the Appropriation Report

4 *Pages 2-3, paragraph 7* —

(*a*) The Government of India have since issued final orders on the Public Accounts Committee's report on the accounts for 1922-23, *vide* Government of India *Finance Department Resolution* No. 3665-A , *dated the* 14th April 1925.

(*b*) *Clause* (*c*).—The officer who was placed on special duty for this purpose has submitted his report but the issue of final orders is not likely for some time yet.

(*c*) *Clause* (*f*).—The orders of the Government of India are contained in Government of India, Finance Department, Resolution No. 9621-A., dated the 28th November 1924 The effect of these orders may be expected to be seen in the accounts for 1924-25

5 *Page 3, paragraph 9.*—In the tabular statement the words " As voted in March 1923 " are inappropriate in the case of " non-voted " expenditure and should therefore be replaced by the words " As passed in *March 1923.*"

6 *Page 5, paragraph 12, clause* (*b*) —The figures " 3,01 " in line 1 of this clause represent 3,01 lakhs of rupees

7. *Page 5, paragraph 13.*—It is satisfactory to note that the result of the new procedure has been to reduce excesses over final grants

8 *Pages 5-8, paragraph 14*—In order to avoid any excess over the [illegible] Committee may consider it desirable to [illegible] re-appropriated from the " Reserve [illegible] to the grant and [illegible] ure will be incurred.

The sanctioning of re-appropriations out of the "Reserve" has had the effect of increasing in several cases the amount of grants voted by the Legislature. The general rule is that a grant voted by the Legislature can be increased by the Legislature alone. As an exception to this rule, re-appropriations sanctioned by Government out of this "Reserve," provision for which is made in the "Miscellaneous" grant, to other voted grants have been held to be admissible.

9. The following instances give *prima facie* evidence of defective budgeting.—

(*a*) *Page 26, Taxes on Income—India.*—The original grant of Rs. 9,39,000 was reduced by Rs. 9,00,000. The Public Accounts Committee may wish to enquire the reason for this large variation.

(*b*) *Page 42—Minor head, Maintenance and Repairs* (*c*).—The explanation appears to indicate defective budgeting. Please see also explanations (*a*), (*b*) and (*d*) on page 43.

(*c*) *Page 84—India.*—The savings amount to 22 per cent. of the original grant and suggest overbudgeting.

(*d*) *Page 172—Police—Note under minor head (A) District Executive Force, vide* the Accountant General's remarks.

(*e*) *Page 176—Agriculture, Minor head (B) Veterinary charges.*—The original grant was Rs. 64,512 and the actual expenditure Rs. 34,806.

(*f*) *Page 179—Note under minor head (D) Lithography.*—The original estimate was too high.

(*g*) *Page 222—Minor head, Loss on Exchange.*—There was an original provision of Rs. 4,29,000, under this head, in the works section (*vide* entry after minor head. "E—Land acquisition,") which was subsequently withdrawn and a sum of Rs. 1,33,000 re-appropriated for the purpose to the salaries section (*vide* entry after "C—Contingencies.") This sum was not however, utilised. The Public Accounts Committee may wish to know (1) why the provision was not utilised and (2) in what other place provision for loss by exchange has been made against the expenditure in England amounting to Rs. 5,63,473

(*h*) *Pages 287-8, Punjab—Notes under minor heads F and G, vide* Accountant General's remarks

(*i*) *Page 302—Land Revenue—(A) Survey and Settlement.*—No provision was made under non-voted

10. *Page 20—Customs*—

(*a*) *Note under Exchange.*—The procedure followed by the Government of India, which is described in this note led not only to excesses under this head but also to large savings in many cases (*e.g.*, grant 6 on page 36, grant 9 on page 39, grant 29 on page 84), where a reduction under expenditure in England has not been followed by a corresponding reduction under Loss by Exchange. Presumably the omission to increase or reduce the grant under Loss by Exchange in accordance with the figures of the revised estimate was due to the fact, that this head was not included in the grant for "Expenditure in England." With the removal of this anomaly the defect should not recur.

(*b*) As regards customs generally, it may be remarked that the demand for a supplementary grant of Rs. 3,03,000 made in February clearly suggests inadequate knowledge of the progress of expenditure.

11. *Pages 25—30.*—In the case of Taxes on Income also it may be remarked that there appears to have been inadequate knowledge of the progress of expenditure. The demand for a supplementary grant of Rs 5,10,949

for Madras seems to have been made in February 1924 without any enquiry, whether savings existed either in Madras or elsewhere The demand for a supplementary grant of Rs 12,032, for Assam made in February 1924 also seems to have been unnecessary, as it must have been known that the original provision of Rs. 12,000 made for the Income-Tax establishment in that province would not be utilised (*vide* the note on page 30 of the report) A great part of the large savings in Bombay, at any rate, must have been anticipated at a comparatively early period of the year, and the payment of Rs. 12,000 to the Bihar and Orissa Government (*vide* page 29) which caused the excess in that province should have been met from savings

12 *Page 27—Bombay.*—The budget contained provision for a reorganization of the Income-Tax staff which had not been finally approved by the Government of India, who eventually cut down the cost considerably There was therefore an omission to comply with the condition that the authority which presents demands to the Legislature must, before it does so, satisfy itself that the demands are not in excess of the probable actual requirements. A provincial Finance Department is required by Devolution Rule 37 (*g*) (*iii*) to refuse to provide in its estimates for any scheme which it has not examined, and it is, I suggest proper that the Central Finance Department should take similar action I have already asked the Government of India Finance Department to enlarge the Rules of Business on the lines of Devolution Rule 37 and I understand that they are taking the necessary action.

13 *Page 32, Bombay, minor head, Direction*—The original allotment was more accurate as compared with the actual expenditure than was the final allotment, thus showing that the expectations on which the modifications were based were incorrect.

14 *Page 35, United Provinces, head (2) Ghazipur Opium Factory.*—The Public Accounts Committee may like to enquire why the excess could not be foreseen and funds provided for it by re-appropriation

15. *Page 37—India*—

(*a*) *Note under Superintendence*—As regards the excess of 43 thousands under establishment charges debitable to the Postal Department, the Public Accounts Committee may wish to ascertain the reason for the omission on the part of the Controller of Printing, Stationery and Stamps to include this figure in his statement of recoveries and, if no satisfactory explanation is forthcoming, to bring the matter to the notice of Government.

(*b*) *Note under head, Deduct Amount recoverable from Provincial Governments,*—I would suggest that the Public Accounts Committee should ascertain whether the amounts to be recovered have yet been settled and, if not, what is the reason for the delay.

16 *Page 39—Irrigation, Navigation, etc*—The demand for a supplementary grant of Rs 27,000 made in February 1924 was not really necessary and suggests inadequate knowledge of the progress of expenditure This demand seems to have been made without enquiry whether savings existed.

17 *Page 40—Irrigation, etc—India*—Apart from the excess under "Pensionary charges" which was the result of a Finance Department decision, the expenditure under "India" was very well controlled.

18 *Page 50—Minor head, 4-Interest on Miscellaneous Accounts*—The Public Accounts Committee may wish to know the circumstances in which provision could not be made for expenditure which was foreseen in the revised estimate.

19. *Page 51—Minor head, Interest on loans from the late King of Oudh (1).*—I would suggest that the Public Accounts Committee should enquire (1) why provision for the arrear payments was not made in the original grant and (2) why the excess over the grant was not foreseen and provisions made against it.

20. *Page 52—Minor head, (9)—Interest on Famine Insurance Fund.*—The Public Accounts Committee may like to enquire why no provision was made in the budget estimates.

21. *Page 57—Army, Military Works and Marine—Interest on other obligations, Minor heads 2, 3, and 4 and explanations (b), (c) and (d).*—The Public Accounts Committee may like to know why the additional provision proposed was not sanctioned (presumably by the Finance Department).

22 *Page 58—Stores Department—Minor head General Provident Fund.*—It is not clear why the necessary re-appropriation was not made at the time when the General Provident Fund accounts of officers of the Northern India Salt Department were transferred.

23. *Page 59*—

(a) *Minor head, Council of State.*—The savings amount to over 50 *per cent.* of the net grant and a reduction of 20 *per cent.* in travelling allowance and the withdrawal of certain travelling allowance concessions hardly seems to afford an adequate explanation of such large savings. If the matter is investigated the Public Accounts Committee will probably find that there has been overbudgeting under this head, since in the case of the Indian Legislative Assembly, where similar reasons operated to cause a saving, the latter amounted to no more than 24 *per cent.* of the net grant.

(b) *Minor heads, Indian Legislative Assembly, Home Department, and Legislative Department.*—A supplementary grant of Rs. 14,500 was obtained on the 20th February 1924, but the ultimate savings were Rs. 1,30,991 and were said to be due to a reduction in the rates of travelling allowance sanctioned in May and June 1923. There was thus *prima facie* evidence of inadequate knowledge of the progress of expenditure.

24. *Page 76—Grant 19 and Page 77—Grant 22.*—These grants are very large and it is proposed that in future the appropriation accounts of all such grants should contain fuller details.

25. *Page 81, Bombay—Minor head, (2) Direct grants to non-Government Secondary Schools.*—The Public Accounts Committee may like to investigate why no steps were taken to provide funds either by re-appropriation or through a supplementary grant.

26. *Page 82—Punjab—Education and page 258—Bombay—Education.*—The Public Accounts Committee may like to suggest that these demands should in future be presented to the Assembly in a form which will show firstly the gross cost of the colleges and secondly the amount of expected recoveries. The actual vote would be of the *net* cost to Government

I would also suggest to the Government of India that the same procedure should be followed with regard to non-voted expenditure of this kind

27. *Page 87—Civil Veterinary Services—India.*—The failure to take action to which the Accountant General refers gives rise to the impression that Government regards as unimportant the provision of funds to meet excesses.

28. *Page 99—Punjab—Emigration (External).*—The Public Accounts Committee may wish to know who is responsible for the omission to re-appropriate funds to meet the charges.

29 *Page 105—United Provinces, Miscellaneous Departments—Examinations*—Though the receipts and expenditure were, it appears, correctly booked, the orders of the Government of India contravene the principle that receipts should not be utilised to meet expenditure.

30. *Page 107—Madras, Minor head, 2, charges for remittance of treasure.*—The Public Accounts Committee may wish to ascertain whether the Accountant General, who is the controlling officer, should not have been able to gauge the position more closely.

31. *Page 121—United Provinces—Civil Works.*—The Public Accounts Committee may like to investigate whether the excesses under different minor heads are due to defective budgeting.

32. *Pages 122-3—Punjab.*—From item (1) under "*addition*" under "Explanations of the causes of variation between the original and the net grant," it appears that Government sanctioned the grant for the work on 26th March 1924 The Public Accounts Committee might consider whether it is advisable for Government to provide funds unless there is a reasonable belief that such will be utilised before the close of the year.

33 *Page 122—United Provinces (Rajputana) and Punjab—and page 124—Central Provinces (Central India).*—It was incorrect to provide for "Loss by Exchange" which is adjusted on the books of the Accountant General, Central Revenues

34. *Page 126—Assam—Note under 1 Original works*—The Public Accounts Committee may like to investigate why no re-appropriation of funds from head (2) to head (1) could be arranged.

35. *Page 142—India—Minor head—Recoveries—Stationery supplied to Posts and Telegraphs and Census Departments.*—The Public Accounts Committee may wish to enquire whether a closer estimate of the probable requirements of the Posts and Telegraphs Department for stationery cannot be made. The deficiency of expenditure as compared with the net grant comes to 60 *per cent.*

36 *Page 156—Madras and Bombay*—The Public Accounts Committee may like to know when the amendment to Rule 15 of the Devolution Rules was made. If the amendment was made before the close of the financial year, the Public Accounts Committee may like to investigate why no steps were taken to provide funds through a supplementary grant.

37. *Page 161—India—Refunds*—In this case, as well as in the following cases, it appears that the administrative authorities were under the impression that no appropriation of funds is necessary in the case of refunds.—

Page 164—United Provinces.

Page 165—Punjab (B).

Page 315—Refunds.

Page 317—Refunds

As regards the voted portion, the Public Accounts Committee will doubtless desire that if heads of departments are still ignorant that refunds require a vote, the fact should be brought prominently to their notice As regards the non-voted portion, the Government will perhaps make it clear to all concerned that appropriation is necessary in the case of refunds

38 *P*[illegible]—The Public Accounts Committee may [illegible]opriation of funds between minor heads, "[illegible] from Central Stores" and "Judicial—Stamps and plain paper supplied from Central Stores" could not be arranged during the year.

39 *Page 171—Administration of Justice—Head (A) Law Officers.*—The Public Accounts Committee may like to investigate why no steps were taken during the course of the year to provide funds by re-appropriation.

[illegible] *Administration of Justice—Minor head (c) Civil and* [illegible]

41. *Page 181—Head V—Land* [illegible] The revised estimate was fixed at Rs. 13,000 The Public Accounts Committee will doubtless wish to know why no increase was made in the original allotment under this head.

42 *Pages 189-203 and 207 to 210—Delhi, Coorg, Ajmer-Merwara and Central India.*—There were large savings under these territorial grants and yet the Assembly was asked to sanction supplementary grants to restore the

comparatively small amounts representing the lump reductions made by the Retrenchment Committee. This indicates inadequate knowledge of the progress of expenditure.

43. *Page 199—Explanation under 22—Administration of Justice—Criminal Courts.*—The Public Accounts Committee may wish to know why re-appropriation was not made at the same time as the deputation.

44. *Page 220—*

(*a*) *Minor head, Loss by Exchange.*—Provision under "Loss by Exchange" should have been made at the same time as under "Expenditure in England."

(*b*) *Minor head—Add—Amount on account of Upper Swat river canal debited to "55-Construction of Irrigation" in the High Commissioner's accounts but correctly adjustable under "16-Construction of Irrigation"*

The actual expenditure under this minor head represents par value of £222-2-4 adjusted under "55-Construction of Irrigation" in the accounts of the High Commissioner for 1923-24. As the expenditure relates to the Upper Swat River Canal, the entire expenditure on which has been transferred to "16-Construction of Irrigation Works," the amount adjusted under the former head in the High Commissioner's accounts has been transferred to the latter head through the Indian accounts.

45. *Page 240—Forest—General Direction.*—The additional allotment of Rs 6,610 sanctioned on 6th March 1924 was not justified as the ultimate savings amounted to Rs. 10,012.

46. *Page 271—Bombay.*

Page 279—Bombay.

Page 280—United Provinces.

Page 291—India.

Page 302—Land Revenue.

Page 310—Agriculture.

In these cases excess occurred under "Non-voted" against savings under "Voted," but no funds were provided to meet the excesses. On the other ~~than~~ hand in certain cases, *vide* page 163—Bengal (1) and page 293—India (*a*), funds have been transferred from the voted to meet expenditure under the non-voted section. It is of course, for the Finance Department to decide by which method, whether by re-appropriation from the "voted" grant or by provision out of general balances, it will find funds in such cases. I would, however, suggest that it is advisable for Government to take some formal steps in order to meet excesses over non-voted grants.

47. *Page 292—Miscellaneous.—Lump allowance for supplementary grants.*—The Public Accounts Committee will no doubt wish to ascertain why the Government of India adopted the unusual course of making a provision of 9 lakhs under a "non-voted" head to provide against an equal cut of "voted" expenditure made by the Assembly.

48. *Page 298—Punjab.*—There seems to have been no attempt to watch the progress of expenditure on these refunds.

49. *Page 308—Explanation* (*b*) (*v*).—I endorse the Accountant General's remarks regarding the undesirability of lump sum provision. In this connection please see paragraph 12 above.

50. *Page 311—Refunds—Explanation* (*a*).—I endorse the Accountant General's remarks contained in this explanation.

51. *Page 323—Major heads, 26-Police, 27-Ports and Pilotage and 32-Medical.*—These cases seem to indicate a marked difficulty in budgeting for the leave salary of officers under military rules which it might be worthwhile for the Public Accounts Committee to investigate.

The same difficulty does not appear to exist in the case of officers under civil leave rules, *vide* pages 324-5.

52. *Page 336—Explanation under charges on Diplomatic and Consular Services in Persia.*—Factors (B) and (C) which together conduced to a saving of 92 (thousands) must have been known and it is therefore somewhat difficult to reconcile the addition of 49 (thousands) in the closing months of the year with adequate financial control

53. In conclusion, I would invite a reference to paragraph 4 of my letter No. 542 Admn /66-24, dated the 31st March 1924, forwarding, with n [illegible] ounts of the North-West I [illegible] affords further instances c [illegible] the Accountant General, Punjab, [illegible] rovince Examples are quoted below:—

Page 170—Explanations (A) and (B)

Page 174—Explanation (D)

Page 175—Explanations (A) and (B)

Page 176—Agriculture—Explanation (C)

Page 179—Explanation (C)

It is noticeable that misclassifications in the Punjab office seem more serious in respect of expenditure in the North-West Frontier Province than in the case of the Punjab, and this must be largely due to the complete lack of touch between the Accounts office and the Administration I, therefore, again emphasise the need for a separate Accounts office at Peshawar for the North-West Frontier Province.

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(b) *Minor head—Add—Amount on account of Upper Swat river canal debited to "55-Construction of Irrigation" in the High Commissioner's accounts but correctly adjustable under "16-Construction of Irrigation"*

The actual expenditure under this minor head represents par value of £222-2-4 adjusted under "35-Construction of Irrigation" in the accounts of the High Commissioner for 1923-24. As the expenditure relates to the Upper Swat River Canal, the entire expenditure on which has been transferred to "16-Construction of Irrigation Works," the amount adjusted under the former head in the High Commissioner's accounts has been transferred to the latter head through the Indian accounts.

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52 *Page 336—Explanation under charges on Diplomatic and Consular Services in Persia.*—Factors (B) and (C) which together conduced to a saving of 92 (thousands) must have been known and it is therefore somewhat difficult to reconcile the addition of 49 (thousands) in the closing months of the year with adequate financial control.

53. In conclusion, I would invite a reference to paragraph 4 of my letter No. 542 Admn /66-24, dated the 31st March 1924, forwarding, with my comments, the Appropriation Report on the accounts of the North-West Frontier Province for 1922-23. The present report affords further instances of misclassifications in accounts made by the office of the Accountant General, Punjab, in respect of the North-West Frontier Province Examples are quoted below :—

Page 170—Explanations (A) and (B)

Page 174—Explanation (D).

Page 175—Explanations (A) and (B).

Page 176—Agriculture—Explanation (C)

Page 179—Explanation (C)

It is noticeable that misclassifications in the Punjab office seem more serious in respect of expenditure in the North-West Frontier Province than in the case of the Punjab, and this must be largely due to the complete lack of touch between the Accounts office and the Administration I, *therefore*, again emphasise the need for a separate Accounts office at Peshawar for the North-West Frontier Province.

STATEMENT A.

Consolidated statement of all Central Grants and Expenditure (Civil, Posts and Telegraphs, Railways and Military).

(1) Voted.

Name of Grant.	Report in which recorded.	Original Grant.	Net Grant.	Actual expenditure.	Excess (if any) requiring sanction of the Legislature.
		Rs.	Rs.	Rs.	Rs.
Customs	Accountant-General, Central Revenues.	62,17,000	65,18,150	61,70,262	...
Taxes on Income	Do.	58,93,000	63,76,387	58,16,520	...
Salt	Do.	1,13,84,000	1,15,52,550	97,19,614	...
Opium	Do.	1,86,53,000	2,63,58,000	2,57,23,575	...
Excise	Do.	1,000	1,000	...	...
Stamps	Do.	—3,35,000	—27,15,000	—25,19,300	...
Forest	Do.	9,28,000	9,16,199	7,66,562	...
Irrigation, Navigation, etc.	Do.	12,97,000	12,53,103	12,40,949	...
Interest on Ordinary Debt	Do.	22,000	22,000	21,778	...
Interest on Miscellaneous Obligations.	Do.	3,20,93,000	3,21,62,031	3,00,56,484	...
General Administration	Do.	68,90,000	74,09,026	67,47,931	...
Audit	Do.	69,72,000	69,14,020	63,39,055	...
Administration of Justice	Do.	...	1,35,000	1,35,654	654
Jails and Convict Settlements.	Do.	2,000	2,000	5,670	3,670
Police	Do.	22,000	63,160	52,823	...
Ports and Pilotage	Do.	11,08,000	11,18,165	10,77,916	...
Survey of India	Do.	19,97,000	23,23,000	22,27,015	...
Meteorology	Do.	5,62,000	5,82,000	5,70,909	...
Geological Survey	Do.	1,72,000	1,89,000	1,56,784	...
Botanical Survey	Do.	17,82,000	17,82,000	16,64,734	...
Zoological Survey	Do.	1,10,000	1,27,020	1,22,203	...
Archæology	Do.	12,45,000	12,45,000	11,71,380	...
Mines	Do.	1,05,000	1,06,000	1,02,867	...
Other Scientific Departments.	Do.	4,70,000	4,69,330	4,22,379	...
Education	Do.	2,49,000	2,49,000	1,63,256	...
Medical Services	Do.	7,30,000	7,74,460	7,39,388	...
Public Health	Do.	3,57,000	3,51,720	2,68,318	...
Agriculture	Do.	6,61,000	10,57,000	10,25,452	...
Civil Veterinary Services	Do.	6,11,000	6,11,000	6,14,319	3,319
Industries	Do.	44,000	24,290	23,015	...
Aviation	Do.	19,000	12,500	11,787	...
Commercial Intelligence	Do.	2,13,000	2,39,000	2,21,882	...
Census	Do.	26,000	98,437	54,428	...

STATEMENT A—*contd*

Name of Grant	Report in which recorded	Original Grant	Net Grant	Actual expenditure	Excess (if any) requiring sanction of the Legislature
		Rs	Rs	Rs.	Rs
Emigration—Internal	Accountant-General, Central Revenues	56,000	56,000	42,898	..
Emigration—External	Do.	44,000	62,000	69,882	7,882
Joint Stock Companies	Do	1,33,000	1,33,700	1 01,957	...
Miscellaneous Departments	Do	18,37,000	19,35,779	17,19,086	...
Currency	D .	49,68,0 0	49,51,240	44 63,694	"
Mint	Do	15,99,000	15,99,000	14,44,031	..
Civil Works	Do	1,16,37,000	1,13,33,314	1,27,01,975	13,68,661
Famine Relief	Do.		7,395		...
Superannuation Allowances and Pensions	Do	38,11,000	53,58,500	26,00,818	..
Stationery and Printing	Do	57,92,000	50,22,938	48,77,167	...
Miscellaneous	Do	21,23,000	20,12,679	17,01,724	...
Adjustments with Provincial Governments.	Do	3,62,000	19 09,446	37,97,921	18,88,475
Refunds	Do	7,17,000	6,85,647	7,81,755	96,108
North-West Frontier Province.	Do	1,02,00,000	1,01,93,252	96,71,960	...
Baluchistan	Do	26,84,000	27,25,920	25,82,088	...
Delhi	Do	28,33,000	29,30,504	27,33,812	...
Coorg	Do	13,17,000	13,06,000	10,91,647	...
Ajmer and Merwara	Do.	14,67,000	14,96,558	13,26,207	...
Andamans and Nicobar Islands	Do	41,57,000	41,23,320	34,87,615	...
Rajputana	Do	4,39,000	4,51,810	4,35,834	...
Central India	Do	6,32,000	6,50,835	5,97,999	...
Hyderabad	Do.	1,77,000	1,69,970	1,57,742	..
Expenditure in England under the control of the Secretary of State.	Do	14,82,000	17,01,000	15,52,813	...
Expenditure in England under the control of the High Commissioner for India	Do.	77,80,000	76,82,000	67,56,653	..
Irrigation Works not charged to Revenue.	Do	22,000	7,000	13,104	6,104
Delhi Capital Outlay	Do	1,93,24 000	1,67 94,000	1,50,46,223	...
Interest Free Advances	Do.	9,13,69,000	9,18,99,000	9,23,44,000	4,45,000
Loans and Advances bearing interest.	Do.	14,48,68,000	14,48,68,000	12,72,44,586	...
Indian Posts and Telegraphs Department.	Accountant-General, Posts and Telegraphs.	8,07,93,000	8,62,12,000	8,60,87,113	...

STATEMENT A—[illegible]

Name of Grant	Report in which recorded	[illegible]	[illegible]	[illegible]	[illegible]
		Rs	Rs	Rs	Rs
Indo-European Telegraph Department.	Accountant-General, Posts and Telegraphs.	22,24,000	24,15,000	[illegible]	
Capital Outlay on Telegraphs	Do.	94,80,000	98,48,000	75,94,560	
Railway Expenditure met from Revenue.	Accountant-General, Railways.	68,97,79,000	69,56,70,000	61,09,56,811	...
Railway Expenditure charged to Capital.	Do.	88,61,08,000	88,61,91,000	80,77,40,309	...
Refund of Freight Tax	(a)	...	...	9,01,801	9,01,801
TOTAL	...	1,61,07,03,000	1,66,80,10,071	1,01,20,61,977	...

(a) Not shown in any appropriation report.

(2) *Non-voted.*

Name of Grant.	Report in which recorded.	Original Grant.	Net Grant.	Actual expenditure	Excess (if any) requiring sanction of the Government of India.
...		Rs	Rs.	Rs	Rs
Customs	Accountant-General, Central Revenues.	9,42,000	9,43,650	8,88,904	...
Taxes on Income	Do.	3,15,000	3,60,618	3,18,668	...
Salt	Do.	40 10,000	40,41,470	38,40,673	...
Opium	Do.	1,13,000	1,16,096	60,010	...
Excise	Do.	6,000	6,000	...	...
Forest	Do.	4,20,000	4,33,223	4,29,376	...
Irrigation, Navigation, etc.	Do.	1,40,000	1,55,225	1,60,308	...
Interest on Ordinary Debt and Sinking Fund.	Do.	13,99,74,000	13,65,01,000	14,31,64,392	66,63,392
Interest on Miscellaneous Obligations.	Do.	74,000	94,000	1,01,470	7,470
General Administration	Do.	28,22,000	[illegible]	[illegible]	...
Audit	Do.	7,16,000	7,16,000	[illegible]	...
Jails and Convict Settlements.	Do.	11,000	11,000	[illegible]	[illegible]
Police	Do.	[illegible]	[illegible]	[illegible]	[illegible]
Ports and Pilotage	Do.	[illegible]	[illegible]	[illegible]	...
Survey of India	Do.	[illegible]	[illegible]	[illegible]	...
Meteorology	Do.	[illegible]	[illegible]	[illegible]	...

STATEMENT A—*contd.*

Name of Grant	Report in which recorded	Original Grant.	Net Grant.	Actual expenditure.	Excess (if any) requiring sanction of the Government of India.
		Rs	Rs.	Rs	Rs
Geological Survey	Accountant-General, Central Revenues.	4,01,000	3,21,000	3,34,936	13,936
Botanical Survey	Do	25,000	25,000	22,124	
Zoological Survey	Do	45,000	28,000	26,184	
Archæology	Do	1,27,000	1,27,000	94,689	
Mines	Do	1,11,000	1,11,000	1,08,018	
Other Scientific Departments	Do	1,18,000	1,18,000	1,00,132	
Education	Do	28,000	28,000	—9,828	
Medical Services	Do	3,64,000	3,90,000	3,58,059	
Public Health	Do	1,45,000	1,51,880	1,50,039	
Agriculture	Do	3,15,000	3,15,000	2,74,695	
Civil Veterinary Services	Do.	84,000	84,000	80,463	
Industries	Do	7,000	7,000	4,119	
Aviation	Do	5,000	6,500	6,000	
Commercial Intelligence	Do.	40,000	40,000	35,609	
Census	Do	24,000	41,220	42,573	
Emigration—Internal	Do	8,000	8,000	8,250	250
Emigration—External	Do.	7,000	8,704	15,969	7,175
Joint Stock Companies	Do.			16,800	16,800
Miscellaneous Departments	Do	1,78,000	2,54,816	2,45,953	
Currency	Do	1,60,000	1,74,060	1,64,510	
Mint	Do	1,41,000	1,44,000	77,960	
Civil Works	Do	60,26,000	63,39,800	43,29,615	
Superannuation Allowances and Pensions.	Do	2,97,02,000	2,87,21,238	2,62,03,211	
Stationery and Printing	Do	48,000	48,000	66,649	18,649
Miscellaneous	Do	35,02,000	36,68,279	27,77,487	
Adjustment with Provincial Governments	Do			857	857
Refunds	Do	1,57,62,000	3,04,69,513	2,92,72,165	
North-West Frontier Province.	Do	1,23,95,000	1,23,08,717	1,14,08,595	
Baluchistan	Do	44,04,000	47,37,195	45,01,451	
Delhi	Do.	4,50,000	4,44,890	5,01,266	56,376
Coorg	Do	1,19,000	1,00,150	94,3[illegible]2	
Ajmer-Merwara	Do	1,61,000	1,61,000	1,50,712	
Andamans and Nicobar Islands.	Do.	1,59,000	1,73,58[illegible]	1,69,665	
Rajputana	Do.	10,13,000	9,28,704	8,66,345	
Central India	Do	8,31,000	8,43,170	7,72,479	
Hyderabad	Do.	3,70,000	3,77,170	3,39,570	

STATEMENT A—*contd*

Name of Grant.	Report in which recorded.	Original Grant.	Net Grant.	Actual expenditure.	Excess (if any) requiring sanction of the Legislature
		Rs.	Rs.	Rs.	Rs.
Indo-European Telegraph Department.	Accountant-General, Posts and Telegraphs.	22,21,000	21,15,000	20,65,899	..
Capital Outlay on Telegraphs	Do.	91,30,000	93,45,000	75,21,560	..
Railway Expenditure met from Revenue.	Accountant-General, Railways.	63,97,79,000	63,86,70,000	61,93,56,811	..
Railway Expenditure charged to Capital.	Do.	38,61,93,000	38,61,91,080	20,77,16,068	..
Refund of Freight Tax	(a)	...	...	3,94,294	3,94,294
TOTAL	...	1,54,07,93,030	1,55,30,10,671	1,32,26,51,277	..

(a) Not shown in any appropriation report.

(2) *Non-voted.*

Name of Grant.	Report in which recorded.	Original Grant	Net Grant.	Actual expenditure.	Excess (if any) requiring sanction of the Government of India.
		Rs.	Rs.	Rs.	Rs.
Customs	Accountant-General, Central Revenues.	9,42,000	9,13,510	8,33,204	..
Taxes on Income	Do.	3,15,000	3,69,613	3,18,563	...
Salt	Do.	49,10,000	40,41,470	38,40,573	...
Opium	Do.	1,13,000	1,16,000	99,040	...
Excise	Do.	6,000	6,000	...	...
Forest	Do.	4,20,000	4,33,223	4,25,375	...
Irrigation, Navigation, etc.	Do.	1,49,000	1,85,225	1,69,303	...
Interest on Ordinary Debt and Sinking Fund.	Do.	13,99,74,000	13,65,01,000	14,31,54,892	66,53,892
Interest on Miscellaneous Obligations.	Do.	54,000	94,000	1,01,420	7,420
General Administration	Do.	36,28,000	36,59,818	35,88,991	...
Audit	Do.	7,16,000	7,16,600	5,65,899	...
Jails and Convict Settlements.	Do.	11,000	11,000	13,409	2,409
Police	Do.	53,000	53,000	74,232	21,232
Ports and Pilotage	Do.	11,63,000	11,71,494	11,01,042	...
Survey of India	Do.	9,53,000	7,75,000	7,72,314	...
Meteorology	Do.	68,000	58,000	56,699	...

STATEMENT A—*contd.*

Name of Grant	Report in which recorded.	Original Grant.	Net Grant.	Actual expenditure.	Excess (if any) requiring sanction of the Government of India.
		Rs.	Rs.	Rs	Rs
Geological Survey	Accountant-General, Central Revenues.	1,01,000	3,21,000	3,21,936	13,936
Botanical Survey	Do.	25,000	25,000	22,124	..
Zoological Survey	Do	45,000	28,000	26,144	
Archaeology	Do	1,27,000	1,27,000	94,682	.
Mines	Do.	1,11,000	1,11,000	1,03,918	
Other Scientific Departments	Do	1,18,000	1,18,000	1,00,?22	.
Education	Do	28,000	28,000	—9,823	...
Medical Services	Do	3,64,000	4,94,000	3,58,053	
Public Health	Do	1,45,000	1,51,680	1,50,039	.
Agriculture	Do	3,15,000	3,15,000	2,74,095	..
Civil Veterinary Services	Do.	84,000	84,000	80,463	..
Industries	Do	7,000	7,000	4,119	..
Aviation	Do	5,000	6,500	6,000	...
Commercial Intelligence	Do.	40,000	40,000	35,609	..
Census	Do	24,000	41,220	42,573	...
Emigration—Internal	Do.	8,000	8,000	8,250	250
Emigration—External	Do	7,000	8,794	15,969	7,175
Joint Stock Companies	Do		..	16,800	16,800
Miscellaneous Departments	Do	1,78,000	2,54,816	2,45,953	...
Currency	Do.	1,60,000	1,74,060	1,64,510	..
Mint	Do	1,44,000	1,44,000	77,960	..
Civil Works	Do	60,26,000	63,39,800	43,29,615	..
Superannuation Allowances and Pensions.	Do	2,97,02,000	2,87,21,238	2,62,03,211	.
Stationery and Printing	Do	48,000	48,000	66,649	18,649
Miscellaneous	Do	35,02,000	36,68,279	27,77,487	...
Adjustment with Provincial Governments	Do		.	857	857
Refunds	Do	1,57,62,000	3,04,69,513	2,92,72,165	..
North-West Frontier Province.	Do	1,23,95,000	1,23,08,717	1,14,08,595	..
Baluchistan	Do	44,04,000	47,37,195	45,01,491	...
Delhi	Do.	4,50,000	4,44,890	5,01,266	56,376
Coorg	Do	1,19,000	1,00,150	94,342	..
Ajmer-Merwara	Do	1,61,000	1,61,000	1,50,712	...
Andamans and Nicobar Islands	Do.	1,59,000	1,73,589	1,69,665	..
Rajputana	Do.	10,13,000	9,28,704	8,66,345	...
Central India	Do	8,31,000	8,43,170	7,72,479	...
Hyderabad	Do.	3,70,000	3,77,170	3,39,570	.

STATEMENT B

Statement showing excesses over Voted Grants which require the sanction of the Legislature.

Item No.	Name of Grant.	Original Grant	Net Grant	Actual expenditure	Excess requiring sanction of the Legislature.
		Rs	Rs	Rs.	Rs
1	Administration of Justice .		1,35,000	1,35 654	654
2	Jails and Convict Settlements .	2,000	2,000	5,070	3,070
3	Civil Veterinary Services . . .	6 11,000	6,11,000	6,14,319	3,319
4	Emigration—External .	44,000	62,000	69,882	7,882
5	*Civil Works* .	1,16,87,000	1,13,33,314	1,27,01,975	13,68,651
6	Adjustments with Provincial Governments.	3,62,000	19,09,446	37,97,921	18,88,475
7	Refunds	7,17,000	6,85,647	7,81,755	96,108
8	*Irrigation Works not charged to* Revenue	22,000	7,000	13,104	6,104
9	Interest Free Advances . .	9,13,69,000	9,18,99,000	9,23,44,006	4,45,006
10	Refund of Freight Tax .	.	.	3,94,304	3,94,304

STATEMENT C.

Statement showing excesses over Non-voted Grants which require the sanction of the Government of India, Finance Department

Item No	Name of Grant	Original Grant	Net Grant.	Actual expenditure	Excess requiring sanction of the Government of India
		Rs	Rs	Rs	Rs
1	Interest on Ordinary Debt and Sinking Fund	13,99,74,000	13,65,01,000	14,31,54,892	66,53,892
2	Interest on Miscellaneous *Obligations.*	54,000	94,000	1,01,420	7,420
3	Jails and Convict Settlements	11,000	11,000	13,400	2,400
4	Police	53,000	53,000	74,232	21,232
5	Geological Survey . . .	4,01,000	3,21,000	3,34,936	13,936
6	Emigration—Internal . . .	*8,000*	*8,000*	8 250	250
7	Emigration—External . .	7,000	8,794	15,969	7,175
8	*Joint Stock Companies* . .	...		16,800	16,800
9	Stationery and Printing . .	48,000	48,000	66,649	18,649
10	*Adjustments with Provincial Governments*		.	857	857
11	Delhi	4,50,000	4,44,890	5,01,266	56,376
12	Expenditure under control of the Secretary of State	8,35 000	8,52,000	8,58,531	6,531
13	Land *Revenue*	10,000	10,000	20,582	10,582
14	Extraordinary Payments . .	...	..	3,40,96,207	3,40,96,207
15	Railway Expenditure met from *Revenue*	27,93,80,000	26,27,91,000	26,51,38,732	23,47,722
16	Railway Expenditure charged to Capital	2,02,000	2,04,000	2 51,604	47,004

Enclosure II.

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE FINANCIAL ADVISER, MILITARY FINANCE, No. 738-Admn./41-25, DATED THE 19TH MAY 1925.

SUBJECT:—*Appropriation Report on the Accounts of the Army, Marine and Military Engineer Services for 1923-24.*

I have the honour to forward herewith, with reference to Rule 15 (*a*) of the Auditor General's rules framed under section 96-D (1) of the Government of India Act, two copies of the Appropriation Report prepared by the Military Accountant General on the Army, Marine and Military Engineer Services Accounts for the year 1923-24. I also transmit herewith two copies of the appendix to the report.

2. I have to point out that the form of this report is to be determined not by me, but by the Financial Adviser, Military Finance. The Public Accounts Committee or other body appointed to scrutinise this report will presumably criticize the adequacy of the information it contains and the manner in which the details of the expenditure are set out, and the Financial Adviser, Military Finance, will no doubt comply with their wishes so far as he can. I record also for his consideration certain comments on the above points in the report for 1923-24.

(*i*) *Page 4 of the report.*—After Form A and before Form B there might perhaps be inserted an appropriation account in Form B exhibiting the expenditure under 48—Army by sub-heads only.

(*ii*) *Page 4, paragraph 22, Form B.*—From columns 8 and 9 in this table and throughout the report on the head 48—Army it appears that besides the Government of India, other competent authorities can reappropriate between sub-heads. At the commencement of section III of the report, a brief statement might be given specifying such authorities and their powers.

(*iii*) *Page 4, Form B, India.*—Under minor heads B, C and D, the expenditure might also perhaps be analysed as has been done under minor head A—Forces in India proper and Burma.

(*iv*) *Page 7, paragraph 26 (E).*—The exact account adjustment is left in obscurity. What occurs is not really clear even to an expert, unless he happens to be familiar with the actual process. The scrutinizing body may wish to have this explanation. In the explanation given a step seems to have been omitted, as a reference to food stuffs actually consumed is referred to (page 5-A) to elucidate a saving due to transfer to stock of value of farm produce.

(*v*) *Page 7, Form B, paragraph 27.*—This is an instance of an incomplete explanation. It should have been explained, in this case, whether the adjustment under Stock Account of Remount Stores for which provision existed under Head II, was due to a fault in budgeting or a change in classification. The instance is one that might be noted.

(*vi*) *Page 9, paragraph 32.*—The explanation needs amplification to make it simple. A decrease of 43,57 in the original grant was expected before the close of the year. Of this decrease only 13,22 (Col. 6 21,85 — Col. 5 8,63) was provided for by addition or reduction of grant. Thus a further decrease of 30,35 was anticipated, but not provided for in the revised. In the above I comment on Military Accountant General's explanation as they stand. I suggest,

however, that the table on *page 9* is misleading The figures under column 4 and column 7 in *other tables, e.g.*, that on page 8 represent [illegible] year. [illegible] *during the* betwe[illegible] difference [illegible] and reductions of stock, taking into account book adjustments as well as purchases and issues The important figures are those of purchase and of consumption and it will be seen that no light whatever is thrown on these as a whole in the *report.* The importance of attaching to the appropriation accounts statements indicating stock transactions whenever these involve large sums of money, is now under my consideration in connection with the recasting of the India appropriation accounts as far as possible in the form in use in England.

(vii) *Page 11, paragraph 38 (A)*.—Here there is another instance of incomplete explanation. It might with advantage have been explained whether the compilation under other heads here referred to was the result of misclassification or of some special accounts procedure.

(viii) *Page 17, paragraph 53-C.*—A readjustment under establishment of a previous year's transaction large enough to explain a saving of nearly 11 lakhs needs detailed explanation.

(ix) *Throughout the report*, it may strike the scrutinising body that the expenditure is not set out in sufficient detail and that explanations of excesses or savings are meagre.

3. Apart from the above comments on the form and contents of the report I have the following remarks to offer.—

(i) *Paragraphs 3, 6 and 8*.—The variations referred to in these paragraphs naturally invite attention. How far they are due to a lack of control can be decided only after consideration and is a matter of opinion. They certainly indicate *primâ facie* a want of accurate knowledge of progress of expenditure or of the necessity of bringing into the accounts large items of receipt or expenditure in the form of book adjustments.

(ii) *Page 5, paragraph 23(A)*.—The original, revised, and actual figures in Form B on page 4 of the report and the details given in paragraph 23 (A), would be far more informative if they traced the figure for "Pay and allowances of officers, troops and reservists" through the whole process of original estimate, revised estimate and actuals with explanation at each stage. This head of expenditure is one of the keystones of the whole structure of Army expenditure.

(iii) *Page 5, paragraph 23-D*.—The original grant was 7,15 and there are savings of 11,38. A reference is invited to paragraph 9 (c) of my letter dated 8th May 1924 forwarding the report on the accounts of the year 1922 23. The difficulties in estimation arising from the cost accounting system seem still to be making themselves felt. If "a saving of 7,32 was anticipated before the close of the year", it is not clear why this was not reflected in the revised estimate It is probable this difference is due mainly to stores brought by troops from England and is a purely "cost" difference. But even so, it seems very advantageous, if not actually necessary, to keep a close watch on estimated figures of cost The anticipated saving of 11,71 on exchange mentioned in paragraph 23 (E) on page 5 has also been omitted in framing the revised estimate. The following statement brings

Enclosure II.

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE FINANCIAL ADVISER, MILITARY FINANCE, No. 738-Admn./41-25, DATED THE 19TH MAY 1925.

SUBJECT:—*Appropriation Report on the Accounts of the Army, Marine and Military Engineer Services for 1923-24.*

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however, that the table on page 9 is misleading. The figures under column 4 and column 7 in other tables, *e.g.*, that on page 8, represent the sum available for expenditure during the year. In the table at page 9 the figure represents the difference between additions to stock and reductions of stock, taking into account book adjustments as well as purchases and issues The important figures are those of purchase and of consumption and it will be seen that no light whatever is thrown on these as a whole in the report. The importance of attaching to the appropriation accounts statements indicating stock transactions whenever these involve large sums of money, is now under my consideration in connection with the recasting of the India appropriation accounts as far as possible in the form in use in England.

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3. Apart from the above comments on the form and contents of the report I have the following remarks to offer :—

(*i*) *Paragraphs 3, 6 and 8.*—The variations referred to in these paragraphs naturally invite attention. How far they are due to a lack of control can be decided only after consideration and is a matter of opinion. They certainly indicate *primâ facie* a want [illegible] enditure or of the necessity [illegible] ns of receipt or expen- [illegible]

(*ii*) *Page 5, paragraph 23(A)* —The original, revised, and actual figures in Form B on page 4 of the report and the details given in paragraph 23 (A), would be far more informative if they traced the figure for "Pay and allowances of officers, troops and reservists" through the whole process of original estimate, revised estimate and actuals with explanation at each stage. This head of expenditure is one of the keystones of the whole structure of Army expenditure.

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together the instances where anticipated lapses and savings have been mentioned, but have not led to modification of the revised estimates :—

—	Anticipated excess.	Anticipated saving.
	Rs.	Rs.
Major Head "48—Army".		
I.—Maintenance of Standing Army—		
A.—Forces in India proper and Burma—		
Miscellaneous (paragraph 23-D)	...	7,32
Exchange (paragraph 23-E)	...	11,71
C.—Units serving in colonies (paragraph 23-G) . . .	...	59
II — Cost of Educational, etc.—		
Military Account offices (paragraph 26-G) . . .	80	...
IV. - Stock Account in India (paragraph 32)	...	43,57
VI. — Miscellaneous charges —		
Transport of troops and carriage of stores (paragraph 38-A).	...	32,03
Exchange (paragraph 38-C)	...	36,40
TOTAL .	80	1,31,62

(iv) *Paragraph 6, Form B, paragraph 26 (A).*—The explanation gives very little information. Twenty-eight lakhs of rupees seems a large saving on practice ammunition and it would certainly be of interest to know at what period of the year the probability of this saving became apparent and to what it was due. Presumably the units using this ammunition were aware of the saving and it would appear in their cost accounts. The question seems to arise whether the saving was reflected in smaller issues from arsenals and whether it was sufficiently large to affect the production at ammunition factories?

(v) *Page 6, Form B, Minor head "Exchange," foot-note.*—This note indicates a variation between budget and accounts procedure. This should be avoided if possible, as it seems essential for the sake of clearness that the budget should follow the accounts: otherwise difficulty and obscurity must arise in comparing account figures with estimated figures.

(vi) *Page 9, paragraph 29 (D).*—This explanation indicates defective budgeting, no provision having been made for pay of medical officers either in the original or net grant.

(vii) *Page 17, paragraph 54.*—A statement showing expenditure in England with the initial and final grants has been given as desired by the Public Accounts Committee.

(viii) *Page 7, paragraph 26 (D) and page 11, paragraph 38-B.*—The explanations in these two places touch upon some of the main points of difficulty arising from the working of the cost accounting system. The scrutinizing body will probably find an investigation of these explanations of interest.

Enclosure III.

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No 739-Admn./43-25, DATED THE 19TH MAY 1925

SUBJECT :—*Appropriation Report on the Accounts of the Posts and Telegraphs Department for 1923-24.*

With reference to Rule 15(*a*) of the Auditor General's rules framed under section 96-D (*i*) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the Accounts of the Posts and Telegraphs Department for the year 1923-24, prepared by the Accountant General, Posts and Telegraphs, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./731-21, dated the 16th May 1922, as amended by my letter No. 2201-Admn./731-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee.

2. I offer the following comments on the Appropriation Report :—

3. *Page 2, paragraph 4.*—This question is already engaging the attention of the Government of India. It is not possible to accept English precedents without due consideration as Indian procedure has to be in conformity with the Government of India Act and the rules made thereunder.

4. *Page 3, paragraph 5.*—The comments of the Accountant General in this paragraph raise several important issues. The most important is whether the budget should not in fact be prepared by the Director General or by the Financial Adviser and not by the Accountant General, seeing that the former are aware of the intentions of the administrative authorities, while the latter is not.

The second issue is whether the actual suggestion made by the Accountant General to abolish appointments instead of keeping them in abeyance should not be accepted.

The third issue is whether, so long as the present practice obtains to which exception is taken, the administrative authorities should be required to inform the competent financial authority (Director General or Government of India) periodically of the number and pay of the appointments remaining vacant and that the latter should then issue orders to the administrative authority concerned to underspend his allotment by a definite sum.

As regards the Accountant General's actual proposal it is relevant to mention the view contained in paragraph 8 of Secretary of State's despatch No. 45-Public, dated the 7th June 1923, and the decision in paragraph 13 of Government of India, Home Department despatch No. 1-Establishment, dated the 9th October 1924. On this analogy the sanction of competent

for more than a short

to the Audit officer.

to make provision for

retention had been

5. *Pages 4 and 5, paragraph 6.*—This paragraph is specially brought to the notice of the Public Accounts Committee.

I endorse very strongly the opinion of the Accountant General contained in the last four sentences of the last sub-paragraph on page 5. The fundamental duty of an Account officer is to that shall represent facts. The fundamental duty of an Au instance in which accounts do not represent the Director General led to the account officer making an incorrect presentation of fact.

6. *Pages 6 to 8, paragraphs 8 to 13.*—It is satisfactory to note that the Indian Posts and Telegraphs Department shows a *pro formâ* account of the

net surplus of Rs. 21,35,446 during the year under review (see paragraph 8 of the report). It is not suggested that the division of this surplus between the three branches of the Department as shown in the statement is strictly accurate. All that is alleged is that the division shown therein is the result of the application to the receipts and expenditure of the Department of the methods of allocation explained in the notes and that these methods have been adopted after very careful consideration. Attention is also invited to paragraph 10 of the report.

7. *Pages 9-10, paragraph 17.*—The special attention of the Public Accounts Committee is invited to this paragraph.

8. *Page 11, paragraph 23.*—It seems desirable that this question should be settled at an early date.

9. *Page 19, paragraph 34.*—The Auditor, India office, is responsible for appropriation audit against that particular portion of a grant which has been sanctioned for expenditure in England. The Accountant General, Posts and Telegraphs, alone can conduct appropriation audit in the case of a single grant covering expenditure both in England and in India. Any modification made in the grant for expenditure in England should therefore be communicated to the Accountant General, Posts and Telegraphs, also, so that he may be able to carry out appropriation audit both in respect of the Indian portion of the expenditure and also the total expenditure.

10. *Page 20, paragraph 37.*—The close co-operation existing between the Accountant General, Posts and Telegraphs, and the administrative authorities is a matter for satisfaction and is bound to have good results.

11. *Pages 20-21, paragraph 38.*—I recommend that the Public Accounts Committee endorse the opinion of the Accountant General, Posts and Telegraphs, contained in the last sub-paragraph of this paragraph that due credit should be given to the administrative authorities for the successful financial management during the year under report.

12. *Page 21, paragraph 39.*—Reappropriations between Grant No. 60—Capital Outlay on Telegraphs and Grant No. 10—Indian Posts and Telegraphs Department were sanctioned by the Government of India. These reappropriations between grants voted by the Legislature are inadmissible, *vide* section 67-A (5) of the Government of India Act and Rule 50 (1) of the Indian Legislative Rules, and constitute a very irregular action on the part of administrative authorities, which the Public Accounts Committee will doubtless bring to the notice of the Legislative Assembly in due course.

Appropriation Accounts.

13. *Page 26, Control—*

(*i*) *I.—Direction—*

(*a*) *Pay of Officers.*

(*b*) *Pay of permanent establishment.*

(*d*) *Allowances and Honoraria.*

These items indicate *primâ facie* evidence of inadequate knowledge of the progress of expenditure. In items (*b*) and (*d*), addition by reappropriation of Rs. 25,780 and Rs. 10,820, respectively, was made on the 25th March 1924 and the actual expenditure has turned out to be much less than the original appropriation.

(*ii*) *II.—Circle offices, Posts and Telegraph Traffic—(g) Contingencies.*—The Public Accounts Committee may wish to enquire why no appropriation was made during the year to suit the new method of accounting.

14. *Page 27—Control—III—Circle offices, Railway Mail Service—(e) Other supplies and services.*—The actual expenditure came to 57 per cent. of the original appropriation which appears to have been a considerable over-estimate.

15. *Pages 29-30 and page 58—Audit Charges.*—The Public Accounts Committee will note that taking voted and non-voted expenditure together the net grant for Audit Charges was Rs. 25,33,675 and the expenditure

Rs 25,03,506. This indicates what can be done by control of expenditure when conditions are favourable. A similar remark was made in connection with the last report, *vide* paragraph 12 (*l* of my letter No 676-Admn./63-24, dated the 22nd April 1924.

16. *Page 32—III—Presidency and District Offices, Post Office—*

(i) (*c*) *Other supplies and services and explanation therefor on page 34*—The Public Accounts Committee might like to investigate whether the reduction in February 1924 was made by the Director General on his own initiative or whether it was made at the instance of local officers.

(ii) (*g*) *Contingencies and explanation therefor on page 34*—I endorse the opinion of the Accountant General that it should not be impossible to enforce personal responsibility for exceeding the funds allotted to each individual spending officer and thereby regulating the expenditure within the limits of the grant.

The Public Accounts Committee may also like to ascertain from the Director General the measures which are said to have been taken to enforce greater financial control.

(iii) *IV—Presidency and District Offices—Sorting and other charges—(d) Other supplies and services and explanation therefor on page 34.*—The remark in the second sentence in paragraph 13(*ii*) above applies here also.

17. *Page 33—V—Presidency and District Offices—Telegraph Signal Offices (including Telephone offices)—(f) Maintenance and repairs of buildings.*—The Public Accounts Committee may note that the saving are very large (about 75 per cent of the expenditure) and so the increase (Rs. 52,731) in March 1924 does not appear to have been justified.

18 (*i*) *Page 34—Explanation—(f) under IV—Presidency and District Offices—Sorting and other charges and* (ii) *page 35—Explanation—under V—Presidency and District Offices—Telegraph Signal Offices (including Telephone offices).*—The attention of the Public Accounts Committee is invited to the comments made by the Accountant General in these explanations. My experience confirms the view expressed in the latter explanation.

19. *Page 35.*—While considering the detailed defects brought to notice under the minor head "Presidency and District Offices" I recommend that the Public Accounts Committee bear in mind the Accountant General's general comment that "it is satisfactory to note that under the minor head 'Presidency and District Offices' the actual expenditure exhibits a rigid adherence to the revised grant, the net variation being only Rs 37,800 against a grant of nearly 5 crores 54 lakhs. The reappropriations between detailed heads were not, however, all so accurate".

20. *Page 39.*—(*i*) *Explanation under II—Printing—Government Presses.*—The Public Accounts Committee might like to enquire from the Controller of Printing, Stationery and Stamps, whether there is any correctness in the Accountant General's remark contained in the last two sentences. They might also like to know why storage and distribution charges cannot be intimated in time for adjustment in the accounts of the year to which they pertain

(*ii*) *Departmental Presses*—(4) *Stores*—*Explanation.*—I endorse the Accountant General's remark that financial control should be simple in a case like this.

21. *Cancelled.*

22. *Page 41—VI—Expenditure in England.*—The Public Accounts Committee may wish to enquire whether the failure to make provision in the original budget estimates was due to defective budgeting

23. *Page 42—I— [illegible] Buildings and Telegraph Lines.*—The P[illegible] to ascertain whether the large saving was [illegible] an over-estimate both of which are indicated as possible reasons by the Accountant General (*vide* paragraph 31 of the report).

24. *Page 43—Explanations (4) and (5) under "I—Maintenance of Telegraph Lines."*—The attention of the Public Accounts Committee is invited to the comments made in these explanations.

25. *Page 44—Explanation III.*—The Public Accounts Committee might like to investigate the circumstances under which the debit on account of the share of establishment and contingencies of the Stamp Office in Calcutta could not be raised against the Posts and Telegraphs Department in time for incorporation in the accounts for the year (not necessarily during the course of the year).

26 *Page 47—Explanation under "Deductions".*—The remark of the Accountant General is specially brought to the notice of the Public Accounts Committee.

27. *Page 54—Explanation V (c).*—The Public Accounts Committee may be interested to read this explanation.

28. *Page 56—Explanation under I—Construction of Lines.*—The Public Accounts Committee may desire to make the enquiry suggested by the Accountant General as to the reasons for the marked difference between the appropriation and the expenditure.

Enclosure IV.

OM J. E. C. JUKES, ESQ., C.I.E., I.C.S., OFFG. AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 845-Admn./42-25, DATED THE 18TH JUNE 1925.

SUBJECT:—*Appropriation Report on the accounts of Railways in India for 1923-24.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of Railways in India for the year 1923-24, prepared by the Accountant General, Railways, for necessary action on the lines indicated in paragraphs 3 and 4 of this office letter No. 872-Admn /734-21, dated the 15th May 1922, as amended by this office letter No. 2201-Admn /734-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action with reference to paragraph 7 of this office letter dated the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee.

2. I offer the following comments on the Appropriation Report.

3. *Pages 2-3, paragraph 4.*—Here mention is made of the safeguards and restrictions laid down in the matter of reappropriation and the Public Accounts Committee may desire that the Accountant General should mention specifically in his report the cases in which powers of reappropriation have been exceeded.

4. *Page 3, paragraph 6, and page 9, paragraph 29.*—I would invite the attention of the Public Accounts Committee to the Accountant General's remarks which I endorse.

5. *Page 3, paragraph 7.*—According to the orders issued in paragraph 5 of Government of India, Finance Department Resolution No. 37-A., dated the 15th January 1924, cases of change in the method of accounting, such as that described in item (10) on page 54 and item (3) (last half) on page 69 of the report will be eliminated in future.

6. *Page 4, paragraph 10.*—In view of the contracts with Railway Companies it has been impossible to apply the new principles of allocation on State Lines worked by Companies.

7. *Pages 4 and 5, paragraph 13.*—The Public Accounts Committee may wish to comment on the importance of introducing piece-work and a bonus system as soon as possible.

8. *Page 13, paragraph 43.*—The Public Accounts Committee may like to enquire why funds were provided for projects not fully matured.

9. *Pages 14-5, paragraph 47(a).*—I endorse the remarks of the Accountant General contained in this paragraph. It has been noticed elsewhere that it is a common fault with Engineers to [illegible] This paragraph also raises the important [illegible] budget provision until administrative [illegible] has been obtained and detailed estimates have been prepared. I suggest, further after the experience of the last few years, that it is impracticable, for the existing Engineering organisation of the railways to spend a Capital grant of 30 crores in a year. The question arises whether it is wise to provide a larger grant than can be spent.

10. *Pages 16-7, paragraph 51.*—The improvement is satisfactory.

11. *Page 19*—

(a) *Second sub-paragraph to paragraph 57*—The demands for grants relating to railways have since been split up into 15 votes, *vide* Demands for Grants for 1925-26.

(b) *Third sub-paragraph to paragraph 57*—The statistics are given in the statement on page 11 of the report.

Appropriation Accounts.

12. *Page 21.*—An excess has occurred in the case of both non-voted grants. This gives rise to the impression that Government regards provision of funds under "non-voted" to meet an excess as of minor importance.

13. *Page 34, South Indian Railway—B.—Expenditure charged to Capital—India.*—The reduction made in the original appropriation was not wholly justified as the actual expenditure has exceeded the net appropriation.

14. *Page 48, item (3).*—The Public Accounts Committee may like to know who is responsible for the erroneous adjustment which also led to a saving under "Programme Revenue", *vide* item (4) on page 54.

15. *Page 49—Voted grant*—The addition by reappropriation of 1,91, 1,33 and 2,22 thousands was made under "Eastern Bengal", "North Western" and "Oudh and Rohilkhand", respectively, and the actual expenditure in each case was less than the original appropriation. This suggests that the expectations on which the modifications were based were incorrect.

16. *Page 53—Explanation of variations—Working Expenses—(1) Ordinary Expenses—(iii) Fuel—Note (1) Bengal Nagpur Railway*—The explanation given seems to suggest the need for investigation. It is also noteworthy that the Bengal Nagpur Railway shows an excess under every sub-head of Working Expenses save Maintenance.

17. *Page 53—Programme Revenue Expenditure and Explanations on page 54*—

(i) *Explanation (1)*—I endorse the remark of the Accountant General that this excess should have been foreseen before the end of the year and steps taken to regularise it.

(ii) The following are points which the Public Accounts Committee might care to elucidate :—

(a) *Explanation (2)*—Why there was failure to make the adjustment mentioned in the last sentence ?

(b) *Explanation (3)*—Whether it was correct to value the returned rails at Rs. 75 a ton ? If so, there would appear to have been defective budgeting.

(c) *Explanation (5)*—Why provision was not made in the estimates for the arrear charges of previous years ?

(d) *Explanation (10)*—Why the value of spare boilers was not definitely surrendered and reappropriated to the head "Reserve or lapse" ?

18. *Page 63—Statistical Committee and Indian Railway Committee.*—The Public Accounts Committee may wish to investigate why no provision by re-appropriation for expenditure on account of these Committees was made during the course of the year.

19. *Pages 66-7—Explanations of variations*—

(a) *Explanation* (2)—The Public Accounts Committee may want to know whether the non-acquisition of land was due to delay in the land acquisition proceedings by the Civil Department or whether provision was made for the acquisition of land without a reasonable expectation that such provision would be utilised.

(b) *Explanation* (4)—The Public Accounts Committee may wish to know why the adjustment referred to in this explanation was delayed.

(c) *Explanation* (12)—Failure to take into account in the grant credit for work done would seem to indicate defective budgeting.

20. *Page 69—Explanation* (3)—The provision of 8,20 thousands under this head indicates defective budgeting.

21 *Page 75—Voted grant*—

(a) *East Indian Railway and explanation* (2) *on page 76.*—The Public Accounts Committee may wish to investigate why the necessary additional funds could not be provided by reappropriation during the course of the year.

(b) *Great Indian Peninsula Railway and Explanation* (3) *on page 76* —The actual expenditure is nearly fifteen times the amount of the grant. It is difficult to believe that the error which led to such disproportionate expenditure would not have been detected and adjusted during the course of the year had there been a proper watch over the progress of expenditure.

22. *Page 80—15—Great Indian Peninsula Railway—(i) Main Line—and Explanation* (9) *on page 81.*—There was actually an excess of 20 thousands in the portion of the appropriation granted for expenditure in India. The Public Accounts Committee may, therefore, wish to have a further explanation from the Accountant General, Railways.

APPENDIX.

23. *Appendix A.—Page 1.*—It is satisfactory to note that the percentage of objections for want of, or excess over, appropriations shows a marked reduction as compared with that for the preceding year, and the figure is very satisfactory.

Enclosure V.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF MADRAS, FINANCE DEPARTMENT, NO. 343-ADMN./45-25, DATED THE 28TH FEBRUARY 1925.

SUBJECT :—*Appropriation Report on the accounts of the Government of Madras for 1923-24.*

With reference to Rule 15 (a) of the Auditor General's rules framed under section 96-D. (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Government of Madras for the year 1923-24, prepared by the Accountant General, Madras, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the

report for action by the Madras Government, with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee.

I also transmit herewith two copies of the accounts of the receipts and disbursements of the Secretary of State and High Commissioner for India on account of the Government of Madras as well as two copies of the Auditor's reports thereon The special attention of the local Government is invited to the reports of the Auditor

I presume that the local Government will ask the Accountant General, Madras, to attend the meetings of the Public Accounts Committee, so as to help them with his advice and assistance in any matter that may be desired.

SECTION I —PROVINCIAL FINANCE

2. The position of the finances of the provincial Government has been depicted in this section of the report To convert a deficit of 3 lacs into a surplus of over 36 lacs in a year (paragraph 13) shows a due appreciation of financial necessity Even so, I endorse fully the remarks made by the Accountant General, Madras (paragraph 14 [illegible] and curtailment of expenditure, as well as [illegible] exists, specially owing to the fact that the accounts of [illegible] are expected to exhibit deficits unless there is in 1925-26 some remission in the amount of contribution payable by the local Government to the Governor General in Council. The accruing liabilities of the local Government mentioned in paragraphs 20 to 23 have also to be taken into account I note, however, that the Government of Madras is fully alive to the situation

3. *Paragraph 11* In studying the expenditure chart given on page [illegible] it must be borne in mind that the large increases between 1920-21 and [illegible] and Administration [illegible] o increases of salary and under Police to increases of salary

4 *Paragraph 26* If any attempt is to be made to show Government assets, there is no rule of account which would preclude, nor do I see that sound financial policy would preclude, the inclusion as assets of those assets created by expenditure from revenue and not from loan funds

5. *paragraphs 26 and 28* The grants-in-aid to local bodies (7.77 lacs) cannot be regarded as assets as no property belonging to Government is thereby created and there is no debt due to Government from the local bodies It was for this reason that the Government of India insisted on these grants-in-aid being met from revenue and not from loan funds and the only point left to the concurrence of the local Government was whether the adjustment should be made in the accounts of 1923-24 or in those of 1924-25.

6. *Paragraph 29* I cannot endorse the Accountant General's remarks contain in this paragraph The local Government Borrowing Rules are statutory rules framed after very careful consideration of the present needs of provincial Governments and this criticism of the soundness of these rules is inappropriate

7. *Paragraph 30* I must admit that in this paragraph there is serious confusion of thought between amortisation of a loan and the depreciation of an asset constructed from that loan The rate of depreciation has to be determined with reference to natural causes It may be desirable for reasons, which are radically different, to pay off within a much shorter period than the working life of the asset the loan from which that asset is created Thus the whole argument in paragraphs 26 to 34 needs restatement.

SECTION IV —APPROPRIATION ACCOUNTS.

8 *Paragraph 55* The Public Accounts Committee will no doubt take necessary action as indicated by the Accountant General to bring this matter to the notice of the Legislative Council

9. *Paragraphs 63 and 64.* Under section 72-D. (2) (*b*) of the Government of India Act His Excellency the Governor certified expenditure of Rs. 8,46,000 to meet charges in connection with the suppression of the rebellion. Later on the Finance Department sanctioned re-appropriations within the grant "XXXIV—Agency (Reserved)" amounting to Rs. 1,02,725. Each action was correct in itself. Whether rule 32 (1) (ii) of the Madras Legislative Council Rules required the presentation of an estimate for a supplementary grant on the ground that the special police constituted a "new service not contemplated in the budget for that year" is a difficult question. I am of opinion that the budget must be regarded as a whole—it includes not only the grants as voted by the Council but also the sums certified by the Governor in exercise of his statutory powers. Under this interpretation of the budget, provision for the special police was made in the budget and thus it was not a new service. I am however consulting the Legislative Department of the Government of India on this question.

10. *Paragraph 65.* When the question of sanctioning re-appropriations between grants came up for consideration before the Central Public Accounts Committee, the Honourable the Finance Member explained that no re-appropriation should be proposed in placing the supplementary grants before the Legislative Assembly, as a saving under one head is by itself no justification for an excess under another, and as from the point of view of parliamentary control of expenditure, it is undesirable to encourage underspending under one head, with a view to overspending under another. If re-appropriations from one demand to another were treated as a matter of course, there would be a great temptation to keep a margin of possible savings under some heads, when preparing the budget. Moreover, actual reduction of expenditure can follow only if the saving is foreseen long before and the reduction in the grant communicated to disbursing officers early enough, which is, in most cases, impracticable, as the total saving which may be foreseen has to be distributed under different sub-heads and communicated to various disbursing officers. He therefore suggested that the Assembly should not be asked to sanction a reduction in any grant already made, but that when a supplementary grant is asked for, the Assembly should be informed what savings are likely to occur under other heads. Most of the advantages of an actual reduction of a grant (*viz.*, checking expenditure under a particular head) can be obtained by the issue of orders to a department to underspend its grant to a certain extent. Thus when, during the course of the year, it becomes apparent that unexpected savings can be anticipated under a particular head, the Finance Department should fix a lower maximum to the spending department, any excess over which should be dealt with by departmental action, if no sufficient explanation is forthcoming. This is the course followed in England and the Central Public Accounts Committee and the Government of India have agreed that this procedure should be followed in future. It is recommended that the local Government should also consider how far they can adopt this procedure.

11. *Paragraph 81.* I shall watch with special interest the orders issued by the local Government on this important question specially as a review of the appropriation accounts given on pages 44 and 45 shows that in most cases in which the Council was asked to sanction supplementary grants savings within the grant already existed to meet the additional expenditure for which supplementary grants were asked for. Had there been an adequate control over expenditure, it would have been unnecessary in most of these cases to ask for supplementary grants from the Council.

12. It will be noticed that in the following cases modifications in grants sanctioned for expenditure in England were not communicated by the local Government to the Accountant General, Madras:—

(*a*) Pages 52 and 53, Minor head (7).

(*b*) Pages 72 and 73, Minor heads (3) and (8).

(c) Pages 78 and 79, Minor head (17).

(d) Pages 172 and 173, Minor Head (16).

(e) Pages 182 and 183, Minor Head (9).

(f) Pages 192 and 193, Civil Works, Minor Head (3).

As the Accountant General, Madras, alone can conduct appropriation audit in the case of a single grant covering expenditure both in England and in India, it is necessary that the local Government should intimate to the Accountant General, Madras, any modification made in the grant for expenditure in England, so that the Accountant General may be able to carry out appropriation audit both in respect of the Indian portion of the expenditure and also the total expenditure

13. In certain cases no appropriation appears to have been made to meet excess expenditure in England or if such provision was made it was not communicated to audit—Instances are given below :—

(a) Pages 174-175, Minor Head (10)

(b) Pages 178-179, Minor Head (10)

(c) Pages 188-189, Minor Head (4)

(d) Pages 190-191, Minor Head (5), not (6) as stated in the explanation

14. A feature of the report is the large savings which occur under nearly every grant and which have not been resumed by Government In most cases there is nothing to indicate the reason why the savings have not been resumed, i e , whether they were not reported in time or whether though reported Government took no action

In view of the financial rule referred to in paragraph 73 of the report, the Public Accounts Committee might like to enquire why savings were not surrendered in the following cases —

(a) Pages 52-53 Minor Head (1)

(b) Pages 74-75, Minor Head (1)

(c) Pages 110-111, Minor Head (1)

(d) Pages 112-113, Minor Head (1)

(e) Pages 114-115, Minor Heads (2) and (4)

(f) Pages 116-117, Minor Head (1)

(g) Pages 124-125, Minor Head (8)

(h) Pages 170-171, Minor Head (3)

(i) Pages 172-173, Minor Heads (13) and (14)

15 In a few cases though proposals for re-appropriations to avoid excesses or to utilise savings were submitted to Government, no action was taken thereon and the Public Accounts Committee might like to enquire the reason for this omission, e g ,—

(a) Pages 46-47, Explanation under Minor Head (2)

(b) Pages 86-87, Explanation under Minor Head (7)

(c) Pages 140-141, Explanation under Minor Head (22)

(d) Pages 162-163, Explanation under Minor Head (5)

16. The figures under the following heads seem to indicate defective budgeting :—

(a) Pages 178-179, Minor Head (3)

(b) Pages 180-181, Scientific Departments, Minor Head (1)

17 From the point of view of the Legislative Council, a correct classification of expenditure as voted and non-voted is essential But this is impossible as regards salaries, as cases often arise in which provision at the time of framing the budget estimates is made under the 'voted' portion,

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but the pay of an officer who actually performs the work is "non-voted", or *vice versa*. Instances of this kind in the present report are:—

(*a*) Pages 170-171, Minor Head (7).

(*b*) Pages 178-179, Minor Head (1).

(*c*) Pages 184-185, Minor Heads (1) to (4).

18. The figures under the following heads give *prima facie* evidence of inadequate financial control which the Public Accounts Committee may desire to investigate:—

(a) *Pages 48-49—Minor Head (14).*—A reduction of Rs. 30,619 accompanied by an excess of Rs. 25,861 shows inadequate knowledge of progress of expenditure. The Public Accounts Committee might like to ascertain whether it was not possible to foresee the probable increase of expenditure due to increased remuneration or to make provision for it when it was granted.

(b) *Pages 62-63—Minor Head (2).* It is not clear why the excess could not have been foreseen and provided for.

(c) *Pages 72-73—Minor Head (1).* There was a supplementary grant of Rs. 11,750 and an addition by re-appropriation of Rs. 3,215 and yet there was an ultimate saving of Rs. 11,663.

(d) *Pages 72-73—Minor Head (6).* A supplementary grant of Rs. 30,095 was obtained, the modified grant was then reduced by re-appropriation by Rs. 41,116 and there was still a saving of Rs. 66,786.

(e) *Pages 76-77—Minor Head (3).*—The supplementary grant and the addition by re-appropriation were unnecessary in view of the large savings.

(f) *Pages 86-87—Minor Head (7).*—There was an addition by re-appropriation of Rs. 1,36,101 and a saving of Rs. 1,41,878.

(g) *Pages 94-95—Minor Head (7).*—There was an addition by re-appropriation of Rs. 25,036 and a saving of Rs. 67,971. The Public Accounts Committee may wish to ascertain exactly what happened in respect of the savings under building grants. It might be ascertained whether Government refused to accept the surrender because they thought further grants ought to be made or merely because Government could not use the savings for re-appropriation elsewhere. If the latter was the case, I would suggest that this reason for refusal to accept surrender is inadequate.

(h) *Pages 124-125—Minor Head (11).*—There was a reduction of Rs. 49,490 by re-appropriation and an excess of Rs. 39,097. If this reduction was made at the instance of the Director of Public Instruction, he would appear to be responsible. On the other hand the reduction might have been made by Government and not communicated to the Director of Public Instruction.

(i) *Pages 132-133—Minor Head (1).*—I agree with the Accountant General's remark that the grant should not have been reduced in the circumstances. The Public Accounts Committee may desire to investigate the control exercised over this head as the figures give *prima facie* evidence of failure to watch progress of expenditure.

(j) *Pages 132-133—Minor Head (2).*—It might be ascertained whether there was not sufficient time in which to obtain the necessary provision to meet the extra charge necessitated by the adjustments.

(k) *Pages 134-135—Minor Heads (4) and (5).*—It appears from the explanation that these two minor heads should be considered

together. The Public Accounts Committee may like to ascertain why the need for a re-appropriation of over two lakhs between these two minor heads and for a further re-appropriation of about half a lakh to the deduct entry under minor head (4) was not foreseen

(l) *Pages 136-137—Grant XXXI, Minor Head (8) and Grant XXXII, Minor Head (1)*—The Public Accounts Committee may like to ascertain why the need for the re-appropriation to these heads was not foreseen.

(m) *Pages 148-149—Grant XXXV, Repayment of Loan*—It is not understood why the Legislative Council was not asked to vote a supplementary grant

(n) *Pages 150-151—Minor Head (7).*—There was a reduction by re-appropriation of Rs 1,17,700 and an excess of Rs. 66,687

(o) *Pages 154-155*—Under '8—Forest' there was a net additional grant of Rs 47,550 and a saving of Rs 77,428

(p) *Pages 162-163—Minor Head (5).*—In view of the saving of Rs 66,789, the supplementary grant of Rs 52,000 was unnecessary. The actual expenditure was also less than the original grant

(q) *Pages 170-171—Minor Head (7).*—There was an additional grant of Rs 33,288 and a saving of Rs 22,355

(r) *Pages 170-171—Minor Head (10)*—In view of the savings amounting to Rs. 47,506, the additional grant of Rs. 39,154 does not appear to be justified.

(s) *Pages 170-171—Minor Head (12)*—It might be ascertained why the excess could not be foreseen

19. I offer the following detailed comments on the variations between the net grants and actual expenditure exhibited in this section of the report

(a) *Page 47—Explanation under Minor Head (2)—Second sub-paragraph*—I agree with the Accountant General

(b) *Pages 56 and 57, Minor Head (3)*—Seems to indicate that there was defective budgeting and inadequate control over expenditure. The Public Accounts Committee may like to investigate this case.

(c) *Page 57—Explanation under Minor Head (6)*—The whole expenditure on account of "loss by exchange" on English transactions has been classified as 'voted', but this is incorrect Formerly it was held that so long as all losses by exchange were shown in lump under the major head '40—Exchange' the expenditure might be treated as votable though the final decision in the matter rested with the Governor under section 72-D (3) of the Government of India Act Now that the loss by exchange is distributed under different major heads, the classification should ordinarily follow that of the sterling expenditure. That is to say, all losses by exchange now brought to account under different major heads ought properly to be classified as voted and non-voted according as the sterling transactions themselves are classified in the accounts rendered by the Secretary of State and the High Commissioner for India. It has already been suggested that the change in classification should be introduced with effect from the accounts for 1924-25

(d) *Pages 62-63—Minor Heads (5) and (6)*—The Public Accounts Committee might like to enquire what reason there is for departure from the general rule under which establishment charges are included in Grant XXVIII the reasons for which are set out in paragraph 76 on page 36.

(e) *Pages 68-69—General.*—I would have suggested that the Public Accounts Committee might now obtain and consider the explanations for the large variations under minor heads (1), (2) and (6) but that on the whole the results are very satisfactory and seem to indicate good general financial control.

(f) *Page 79—General.*—It may be useful if the Public Accounts Committee ascertain from the Accountant General the grounds on which he bases his general comment.

(g) *Pages 80-81 and 82-83.*—The savings in both cases represent just over one per cent. of the actual expenditure (disregarding the reserve with the Finance Department) and denote good financial control in the judicial department.

(h) *Pages 88-89.*—The Public Accounts Committee may like to ascertain why Government did not regard this letter as a formal surrender of grant.

(i) *Page 105.*—The note under minor head 9 raises the important question whether it is desirable to make budget provision until plans and estimates have been prepared or method of financing settled.

(j) *Pages 108-109—Note under Minor Head (1).*—The local Government will no doubt inform the Public Accounts Committee whether they are of opinion that the Director's powers of reappropriation are inadequate.

(k) *Page 115—Note under Minor Heads (2) and (4).*—While I agree with the view expressed in this note, I would also point out that the main cause of the saving was delay in the Development Department.

(l) *Pages 120-121—Note under Minor Head (3).*—I support the suggestion of the Accountant General contained in the last subparagraph of this note.

(m) *Pages 122-123—Grant XXVI—Note under Minor Head (1).*—It seems a little difficult to understand why some District Boards have not drawn their grants-in-aid or have drawn less than the amount granted.

(n) *Page 126—Note under Minor Head (23).*—Head (30) should be substituted for Head (29) in line 5 of this note.

(o) *Pages 140-141—Minor Head (22).*—The Public Accounts Committee may desire to investigate the serious overestimate of the Inspector General of Police of expenditure under this head as late in the year as 9th February 1924.

(p) *Pages 148-149—Grant XXXIV.*—The saving under this grant amounts to no less than 7 lakhs or 16 per cent. of the total grant. The main items contributing to these savings are, in thousands—

Head (13)	General Establishments	55
" (14)	Sub-divisional Establishments	32
" (22)	District Executive Force	282
" (28)	Government Primary Schools	33
" (35)	Hospitals	26
" (52)	Communications	20
" (54)	Establishments	56
" (56)	Grants-in-aid	78
	Reserve	69

Enclosure VI.

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF BOMBAY, FINANCE DEPARTMENT, No 768-ADMN./46-25, DATED THE 28TH MAY 1925.

SUBJECT.—*Appropriation Report on the accounts of the Bombay Presidency (including Sind) for 1923-24*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under section 96-D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Bombay Presidency (including Sind) for the year 1923-24, dealing with provincial subjects, prepared by the Accountant General; Bombay, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No 872-Admn /734-21, dated the 15th May 1922, as amended by my letter No 2201-Admn./734-21, dated the 21st December 1922 I also transmit herewith two copies of the appendix to the report for action by the Government of Bombay with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee.

Two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Bombay for 1923-24, together with two copies of the reports thereon of the Auditor, India office, London, are also forwarded herewith The special attention of the local Government is invited to these reports of the Auditor, India office.

2. I offer the following comments on the Appropriation Report of the Accountant General, Bombay

3. *Section II—Provincial Finance.*—The revenue transactions of the year under report show a surplus of 29,38 thousands As compared with the year 1922-23, however, this surplus shows a decrease of 34,65 thousands (see paragraph 3 of the report) and the accounts of the year 1924-25 are expected to close with a revenue deficit for 90,65 thousands (see paragraph 5). The commitments amounting to nearly Rs 4 crores for Public Works expenditure, referred to in paragraph 19 of the report, are heavy, though not perhaps unduly heavy considering the financial resources of the provincial Government. The heaviest burden at the present moment depicted in the report is undoubtedly that imposed by the Bombay Development Scheme and Lloyd Barrage and Canal Construction Project, for which the commitments amount to nearly 25,63 lakhs (see paragraph 21) The annual addition to the provincial Government's borrowings will result in increased expenditure in the form of payment of larger amounts of interest I therefore, endorse the opinion of the Accountant General contained in paragraph 3 of the report that it would appear that a stage has been reached at which the resources of the Bombay Government have ceased to indicate the ... normally expected and that without additional ... g the growth of expenditure, it will be ... further liabilities of a recurring nature without operating upon the provincial balance I hope to comment on this subject in detail next year

4. *Page 3, paragraph 2—Explanation regarding entry No 5(a)*.—The statement made in the report, that the loan referred to in entry No 5 (*a*) is not repayable is not correct It is true that the loan is not compulsorily repayable within any prescribed period but there is nothing in Rule 24 of the Devolution Rules to prevent a provincial Government from repaying the amount if it desires In fact one provincial Government has already repaid to the Governor General in Council the amount spent on the construction of irrigation works before the introduction of the Reforms

5 *Pages 3-4, paragraphs 3 and 6*.—The net difference between the revised estimates and the actuals was 1,03,65, of this about 64 lakhs was due to savings in expenditure and it is a little difficult to accept the statement in

paragraph 3 that this improvement could not be foreseen when the revised was framed, seeing that the total expenditure was about 14¼ crores (see paragraph 6).

6. *Page 17, paragraph 31.*—The objects upon which expenditure may be incurred from the annual assignment for famine insurance are defined in rule 2 of the rules in Schedule IV of the Devolution Rules. The rule prohibits the expenditure of the annual assignments "save upon the relief of famine or the construction of protective irrigation works or other works for the prevention of famine". The rule permits the utilization of the famine insurance grant for construction outlay on any class of irrigation works which the local Government may decide as "protective", but the diversion of the grant to meet the charges for payment of interest on loans taken for the construction of such works would appear to be in contravention of the letter and spirit of the rule as it stands at present.

7. *Page 21—paragraph 35.*—Under the existing procedure it is not possible for an audit officer to represent his views to the Public Accounts Committee. I, therefore, suggest that such notes on financial irregularities as are referred to in this paragraph be also considered at a meeting of the Committee. I may also mention that the report of the Public Accounts Committee in England is based primarily on the evidence elicited from witnesses. The Report of the Comptroller and Auditor General is used by the Public Accounts Committee merely to determine the matters in respect of which evidence is to be obtained. The witnesses called from any Department always include the accounting officer of the Department and the officer responsible for incurring any expenditure that may be under consideration.

8. *Pages 21-22, paragraph 37.*—

(*a*) The Public Accounts Committee submitted its report in the form of the minutes of the proceedings of the meetings held to consider the audit and appropriation reports. One member of the committee considered this form of the report inadequate and has suggested that a formal and regular report should be drawn up and submitted to the Council. I therefore suggest for the consideration of the Committee the adoption of the form in which the Central Public Accounts Committee's report is drawn up. In this report the more important points which come to the notice of the Committee during the examination of the audit and appropriation reports and its recommendations on certain matters requiring further action on the part of the Executive and the Legislature form a self-contained document and the subject matter of the report, while the points of minor importance as well as detailed proceedings of the meetings form an accompaniment thereto.

(*b*) I would also remark that paragraphs 12, 13 and 14 of the report suggest that heads of departments at present make no attempt to estimate and provide for certain liabilities but leave this task entirely to the account officer.

If this is so, I would point out that it is essential to devise some remedy for such a state of affairs.

9. *Page 23—paragraph 39.*—While the figures shown in this report indicate that in many departments there is effective financial control, the system prescribed by the local Government in Finance Department Resolution No. 2613 dated the 27th March 1925, should lead to a still more effective administration of grants.

10. *Page 24—paragraph 42.*—This question as regards central demands is under the consideration of the Government of India.

11. *Page 24—paragraph 43.*—The sooner the financial rules are issued the better it will be for all concerned.

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to the classification of refunds adopted by the Central Government, vide correction slip No 183, dated the 1st April 1924 to Rule 1, Appendix 5 of the Audit Code. As regards the classification of expenditure on account of refunds the Governor is the final authority, vide section 72-D (3) of the Government of India Act

13. *Page 25—paragraphs 46 and 47*.—There are 10 cases of excesses under "non-voted" heads against 4 under "voted" heads This gives rise to the impression that Government regard the provision of funds by re-appropriation under "non-voted" heads as of no great importance

14. *Page 26, paragraph 51*.—The adequacy of these fixed percentages for establishment and tools and plant is now under my consideration

15. The following detailed comments are offered on the appropriation accounts:—

(a) *Page 33—Forest—Explanation A*.—In view of the ultimate
saving of 2,86 (thousands) the net increase by re-appropria
tion of over 2,00 (thousands) does not appear to have been
justified even taking into consideration the book adjustment
which increased the savings by 59 (thousands)

(b) *Pages 35-38—Irrigation—Explanation c on page 38*.—According
to the rule given in statement D of Appendix 4 of the Public
Works Account Code, expenditure in England on leave salar-
ies, etc, is adjustable under the head "15 Other Revenue Ex-
penditure—A.—Irrigation Works, (3) Miscellaneous" The
provision for expenditure under these heads in the original
budget would therefore appear to be due to incorrect budgeting

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culty in classification the explanation seems to show that there
was somewhat serious misclassification of pay of officers as
"voted" or "non-voted" in the original demands The Public
Accounts Committee may wish to know why re-appropriation
of funds was not made from the "voted" to the "non voted".
section (cf, paragraph 66 of "An Introduction to Indian Gov
ernment Audit") and also why 2,44 (thousands) was added
when there was an eventual saving of 4,32 (thousands) There
seems to have been inadequate knowledge of the progress of
expenditure

(d) *Page 40—Minor Head (7)—Explanation c*.—In view of the sav
ings of 1,39 (thousands) the supplementary grant in March
1924 of 1,47 (thousands) seems to indicate inadequate know
ledge of the progress of expenditure

(e) *Page 41*.—

(i) *Minor head, (2) Jail Manufacture—Explanation B*.—The
budget provision was reduced by 33 (thousands) and yet
there was a saving of 23 (thousands) This seems to
indicate defective budgeting

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that the Public Accounts Committee should enquire whe
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the Executive had a reasonable belief that in the short
time still available it would be possible to utilise it The
results show that the reasonable presumption would have
been that the amount could not be spent in the time

(f) *Page 42—Explanation A*.—I suggest that the Public Accounts
Committee investigate further the large saving under "Rents,
Rates and Taxes" This is usually a known amount Was
the original demand on the Legislative Council excessive, or
were the rents, rates and taxes reduced during the year or was
part of the amount due left unpaid at the end of the year, and,
if so, why?

paragraph 3 that this improvement could not be foreseen when the revised was framed, seeing that the total expenditure was about 14½ crores (see paragraph 6).

6. *Page 17 paragraph 31.*—The objects upon which expenditure may be incurred from the annual assignment for famine insurance are defined in rule 2 of the rules in Schedule IV of the Devolution Rules. The rule prohibits the expenditure of the annual assignments "save upon the relief of famine or the construction of protective irrigation works or other works for the prevention of famine". The rule permits the utilization of the famine insurance grant for construction outlay on any class of irrigation works which the local Government may decide as "protective", but the diversion of the grant to meet the charges for payment of interest on loans taken for the construction of such works would appear to be in contravention of the letter and spirit of the rule as it stands at present

7. *Page 21 paragraph 35.* Under the existing procedure it is not possible for an audit officer to represent his views to the Public Accounts Committee. I therefore, suggest that such note, on financial irregularities as are referred to in this paragraph be also considered at a meeting of the Committee. I may also mention that the report of the Public Accounts Committee in England is based primarily on the evidence elicited from witnesses. The Report of the Comptroller and Auditor General is used by the Public Accounts Committee merely to determine the matters in respect of which evidence is to be obtained The witnesses called from any Department always include the accounting officer of the Department and the officer responsible for incurring any expenditure that may be under consideration.

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11. *Page 24—paragraph 43.*—The sooner the financial rules are issued the better it will be for all concerned.

12. *Page. 24—paragraph 45.*—According to the orders referred to in this paragraph all refunds of revenue except on account of "Interest" are to be treated as voted. The attention of the local Government is invited

to the classification of refunds adopted by the Central Government, *vide* correction slip No 183, dated the 1st April 1924 to Rule 1, Appendix 2 of the Audit Code. As regards the classification of expenditure on account of refunds the Governor is the final authority, *vide* section 72-D (3) of the Government of India Act

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(c) *Page 39—Explanation A*—Making all allowances for the difficulty in classification the explanation seems to show that there was somewhat serious misclassification of pay of officers as "voted" or "non-voted" in the original demands The Public Accounts Committee may wish to know why re-appropriation of funds was not made from the "voted" to the "non-voted" section (*cf.*, paragraph 66 of "An Introduction to Indian Government Audit") and also why 2,44 (thousands) was added when there was an eventual saving of 4,32 (thousands) There seems to have been inadequate knowledge of the progress of expenditure

(d) *Page 40—Minor Head (7)—Explanation c*—In view of the savings of 1,39 (thousands) the supplementary grant in March 1924 of 1,47 (thousands) seems to indicate inadequate knowledge of the progress of expenditure

(e) *Page 41*—

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(ii) *Minor head, (3) Works, Explanation c*—I would suggest that the Public Accounts Committee should enquire whether when provision was made in the last month of the year the Executive had a reasonable belief that in the short time still available it would be possible to utilise it The results show that the reasonable presumption would have been that the amount could not be spent in the time.

(f) *Page 42—Explanation A*—I suggest that the Public Accounts Committee investigate further the large saving under "Rents, Rates and Taxes" This is usually a known amount Was the original demand on the Legislative Council excessive, or were the rents, rates and taxes reduced during the year or was part of the amount due left unpaid at the end of the year, and, if so, why?

(*g*) *Page 44—Education.*

(i) *B—Secondary, (2) Direct Grants to non-Government Secondary Schools—under both Reserved and Transferred.*—The question arises whether the Director of Public Instructions had any justification for assuming that 159 (thousands) (shown as excess under Reserved) was being classified in the Accountant General's office under "Transferred". If so, then he was justified in thinking that the expenditure under "Transferred—B—Secondary—(2) Direct grants to non-Government Secondary Schools" would be (9,59+1,59=) 11, 18 (thousands) as against the net appropriation 11,74 (thousands), in which case the addition of 4,00 (thousands) under "Transferred" was justified. Thus the adequacy of both explanation A & D on page 45 depend on what knowledge the Director of Public Instructions had of the progress of expenditure.

(ii) *Transferred—(A)—University (5) Grants to non-Government Professional Colleges.*—No provision was made in the original budget estimates. The Public Accounts Committee may wish to ascertain whether this was due to defective budgeting.

(iii) *Transferred—(B)—Secondary—(3) Grants to Local bodies for Secondary Education—Explanation E on page 45.*—I suggest that the Public Accounts Committee ascertain whether this was a misclassification in the Accountant General's office, and if not, why no funds were transferred during the course of the year by re-appropriation.

(*h*) *Page 45.*—

(i) *C—Primary—(3) Grants to Local bodies for primary education—Explanation H on page 46*—The explanation given by the Accountant General is inadequate. Had the demand not been reduced by 6,20 (thousands) by orders of a competent authority, there would have been a saving of 4,31 (thousands) instead of an excess of 1,89 (thousands). Thus the entry of probable savings in the original demand was justified What requires justification is the order of the competent authority reducing the demand by 6,20 (thousands) which order seems to have been passed with inadequate knowledge of the progress of expenditure.

The Public Accounts Committee may also wish to ask the Accountant General in future to explain large modifications made by orders of competent authority.

(ii) *D—Special. (1) Government Special Schools, and Explanation K on page 46.*—The addition by supplementary grant of Rs. 1,50,000 made in March 1924 appears to have been unnecessary as the actual expenditure has turned out to be less than the original appropriation.

(iii) *D—Special, (2) Direct grants to non-Government Special Schools, and Explanation L on page 46.*—When a portion of savings under the head, "Direct grants to non-Government Primary Schools" was utilised to meet expenditure under the head "Direct grants to non-Government Special Schools", re-appropriation of funds between the two minor heads should have been made. Here the action of the controlling officer, who has no power to re-appropriate is tantamount to the usurpation of financial powers beyond his competence, and it is to be hoped that the Accountant General's explanation may be taken to mean that the Local Government merely gave their formal approval to the manner in which the money had been spent

and in no way acquiesced in the financial irregularity involved by the failure to obtain proper re-appropriation of funds. In any case the Public Accounts Committee may like to be placed in full possession of the facts of this somewhat unusual procedure.

(iv) *E—General—(3) Scholarship—Explanation (M) (a) on page 46* —The Accountant General's explanation infers that provision was made in the budget and the Legislature was asked to sanction grants for a scheme which was not sanctioned till November 1923 This gives rise to the important question of whether it is expedient to provide funds for schemes which are not fully matured

(i) *Page 47—Medical—(Transferred)—(2) Hospitals and Dispensaries—Explanation (B)* —During the course of the year there were re-appropriations increasing the grant by 14 (thousands) and decreasing it by 1 51 (thousands) and in March 1924 the grant ...

decrea... sands) The net result of all these modifications was a decrease by 1,37 (thousands) and an increase by 1,78 (thousands) of the original grant and a saving of 44 (thousands) While therefore, the actual expenditure was within the original grant and approximated very closely thereto, there is *prima facie* evidence that the modifications during the course of the year were unnecessary and indicated inadequate knowledge of the progress of expenditure

(j) *Page 48—Minor Head, (6) Works, and Explanation F* —There was a saving of 1,59 (thousands) and so the supplementary grant of 1,24 (thousands) in March 1924 appears to have been unnecessary

(k) *Page 50—Explanation A* —In future change of classification will not be given effect to in the course of the year

(l) *Page 51—41—Civil Works, Minor heads, "(25) Suspense" and "(26) Deduct—English cost of stores and establishments"* —The account of the Minor Head "Suspense" is sub-divided into as many of the five heads as may be required under a major head of expenditure, *viz*, (1) Purchases, (2) Stock, (3) Miscellaneous Public Works Advances, (4) London Stores and (5) Workshop suspense These heads are of a temporary character and all transactions recorded under them are ultimately removed either by payment or recovery, in cash or by adjustment The transactions therefore consist of both debits and credits, the latter being treated as reduction of expenditure when making up t... of the major head

The Minor Head "*D*... represents *per contra* credi... and leave salaries, etc , of ... respectively

(m) *Page 55—47—Miscellaneous—(i) Reserved—(9) Miscellaneous unforeseen charges and (ii) Transferred (2) Miscellaneous unforeseen charges* —The figures for the original appropriations and the actual expenditure under these two heads are quoted below in thousands of rupees—

	Original appropriation	Actual expenditure
Reserved, Head (9	9,05	1,83
Transferred, Head (2	6,00	Nil.
Total	15 05	1,83

The Public Accounts Committee may wish to suggest to the Legislative Council that it is not desirable to entrust such a large reserve to the Finance Department in future.

(*n*) *Page 57—Construction of Irrigation etc., works.*—The original grant was 50,31 (thousands).—This was raised to 1,06,31 (thousands) in June 1923 and there was an eventual saving of 41,91 (thousands).

The Public Accounts Committee may wish to investigate why the original demand was so small, why it was more than doubled in June 1923; and what factors contributed to the large saving.

As regards the saving it is significant that 29¼ lakhs were surrendered during the year (Explanation A) and the following questions arise :—

(1) If the estimates were based on a programme of work was there any serious failure to work up to such programme and if so why?

(2) Was there any tendency on the part of the officers of the Department to overestimate their spending capacity as evidenced by the failure to commence new works or to complete those under construction during the course of the year?

(3) Are there cases which go to show that savings accrued owing to the commencement of works late in the year?

If so, possible defects are (*a*) the late provision of funds for a work (*b*) the provision of funds for a work before plans and estimates have been prepared.

Another case very similar to the one under reference is contained in the next sub-paragraph (*o*) below.

(*o*) *Pages 61-62.*—The following are the figures for the net grants and the saving under Civil Works, Grants 1 to 5 :—

Grant number.	Amount of net grant (In thousands of Rs.)	Savings (In thousands of Rs.)
1	42	25
2	10,32	94
3 . . .	46,28	16,83
4(*a*)	1,00	1,00
4(*b*)	11,88	11,62
5	33,72	7,27
Total .	1,03,62	37,91

There is thus a saving of 38 lakhs out of a net grant of 103 lakhs.

It is an almost invariable experience that Engineers overestimate spending capacity on new works.

Please also see my remarks in connection with the preceding sub-paragraph (*n*).

(*p*) *Page 70—Interest on Ordinary Debt, (1) Interest on Bombay Development Loan.*—This seems to indicate defective budgeting.

(*q*) *Page 75—Public Health, (2) Grants for Public Health purposes.*—The original appropriation was reduced by Rs. 19,000 during the course of the year and an excess of Rs. 13,550 has occurred over the net appropriation. This gives *prima facie* evidence of inadequate knowledge of the progress of expenditure.

(*r*) *Page 76—(i) Industries—Explanation A.*—I endorse the Accountant General's opinion that the excess of Rs 3,947 on the net grant indicates that the reduction of Rs. 3,000 made by Government in the revised estimate was uncalled for.

(r) *Miscellaneous Departments—heads (1) and (3)*—The reductions made by Government were partly responsible for excesses under these heads.

(s) *Page 77—Superannuation Allowances and Pensions—(2) Gratuities—Explanation A*—Here again I endorse the Accountant General's remark that the reduction made in the original grant was not called for

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Enclosure VII.

FROM SIR FREDERIC GAUNTLETT, K.B.E, C I E, I C S, AUDITOR GENERAL IN INDIA TO THE SECRETARY TO THE GOVERNMENT OF BENGAL, FINANCE DEPARTMENT, No 642-ADMN./47-25, DATED THE 30TH APRIL 1925.

SUBJECT:—*Appropriation Report on the accounts of the Government of Bengal, for 1923-24.*

With reference to Rule 15 (a) of the Auditor General's rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Government of Bengal for the year 1923-24, prepared by the Accountant General, Bengal, for necessary action on the lines indicated in paragraphs 3 and 4, of my letter No 872 Admn/734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn/734-21, dated the 21st December 1922 I also transmit herewith two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Bengal for 1923-24 together with two copies of the reports thereon of the Auditor, India office, London. The special attention of the local Government is invited to these reports of the Auditor, India office

2. I offer the following comments on the appropriation report of the Accountant General, Bengal.

3. *Page (iii)—Introduction, Sub-paragraph*—I accept the suggestion of the local Government to discontinue the publication of a separate appendix [illegible]

[illegible]

and the appendix overlap

4. *Provincial Finance*—The transactions of the year under review resulted in an improvement of 38,72 thousands in the cash position of the local Government (*vide* paragraph 6 on page 5 of the report) The Government of India have remitted the contribution of 63 lakhs payable by the Government of Bengal for a further period of three years commencing from 1925-26 I however endorse the Accountant General's opinion contained in paragraph 11 on pages 13-14 of the report that, while there is no reason to take a pessimistic view of the financial position, it is essential that steps should be taken to examine the possibility of augmenting the revenues and of curtailing expenditure.

5. *Page 14—paragraph 11, penultimate sentence, and page 15—paragraph 14 (4).*—The fixed contribution of 63 lakhs payable to the Central Government has since been remitted for a further period of 3 years as stated above.

6. *Page 18—Appropriation Report for 1922-23*—The Public Accounts Committee considered the Appropriation Report for 1922-23 in March 1924 before my comments thereon were sent to the local Government In this connection a reference is invited to my letter No 1500-Admn /469 24, dated the 20th October 1924 addressed to the local Government

APPROPRIATION ACCOUNTS

7. *Page 19, paragraph 3*—I shall watch with special interest the effect of the orders issued by the local Government on this important question

8. *Pages 22-4, paragraph 11 (a)*—The Public Accounts Committee will no doubt take necessary action to bring the excesses mentioned in this paragraph to the notice of the Legislative Council

9. *Page 26, paragraph 12 (c).*—It is to be hoped that a decision will be arived at shortly.

10. *Page 33. Form A.*—A review of the appropriation accounts given on this page shows that the Legislative Council was asked to sanction a reduction in the case of several grants voted by it. When the question of sanctioning re-appropriations between grants came up for consideration before the Central Public Accounts Committee the Hon'ble the Finance Member of the Government of India explained that no re-appropriation should be proposed in placing the supplementary grants before the Legislative Assembly, as a saving under one head is by itself no justification for an excess under another, and as from the point of view of parliamentary control of expenditure, it is undesirable to encourage under-spending under one head with a view to overspending under another. If re-appropriations from one demand to another were treated as a matter of course, there would be a great temptation to keep a margin of possible savings under some heads, when preparing the budget. Moreover, actual reduction of expenditure can follow only if the saving is foreseen long before and the reduction in the grant communicated to disbursing officers early enough, which is, in most cases, impracticable, as the total saving which may be foreseen has to be distributed under different sub-heads and communicated to various disbursing officers. He, therefore, suggested that the Assembly should not be asked to sanction a reduction in any grant already made, but that when a supplementary grant is asked for, the Assembly should be informed what savings are likely to occur under other heads. Most of the advantages of an actual reduction of a grant (*viz.*, checking expenditure under a particular head) can be obtained by the issue of orders to a department to underspend its grant to a certain extent. Thus when during the course of the year, it becomes apparent that unexpected savings can be anticipated under a particular head, the Finance Department should fix a lower maximum to the spending department, any excess over which should be dealt with by departmental action, if no sufficient explanation is forthcoming This is the course followed in England and the Central Public Accounts Committee and the Government of India have agreed that this procedure should be followed in future. It is recommended that the local Government should consider how far they can adopt this procedure.

11. *Page 34.*—From the appropriation accounts in Form B it appears that the whole expenditure on account of loss by exchange on English transactions has been classified as "voted". This procedure is incorrect. Formerly it was held that so long as all losses by exchange were shown in lump under the major head "40-Exchange" the expenditure might be treated as "votable" though the final decision in the matter rested with the Governor under Section 72-D (3) of the Government of India Act. Now that the loss by exchange is distributed under different major heads, the classification should ordinarily follow that of the sterling expenditure. That is to say all losses by exchange now brought to account under different major heads ought properly to be classified as "voted" or "non-voted" according as the sterling transactions themselves are classified in the accounts rendered by the Secretary of State and the High Commissioner for India.

12. The following detailed comments are offered on this section of the Report:—

(a) *Page 34—Land Revenue, Minor Head 2.*—The Public Accounts Committee may wish to enquire why provision was made for expenditure which could not be incurred during the year

(b) *Page 35. Excise Minor Head 4.*—The addition by re-appropriation of Rs. 5,151 was unnecessary as the ultimate savings amount to Rs. 72,511 and indicates inadequate knowledge of the progress of expenditure.

(c) *Page 36. Stamps. Note under Heads 3 and 7.*—I agree with the Accountant General that the excess indicates absence of proper control on the part of the departmental controlling officers.

(*d*) *Page 38. Scheduled Taxes*.—I would suggest that the Public Accounts Committee should ascertain why provision was not made for expenditure which was foreseen in the revised estimates.

(*e*) *Pages 40-41 Irrigation Head 29.*—The Public Accounts Committee may want to know why, when the expenditure was foreseen in the revised estimates, no provision was made to meet it.

(*f*) *Page 41. General Administration—(i) Head 1.*—The supplementary grant of Rs. 3,200 appears to have been unnecessary as the ultimate savings amounted to Rs 50,823 and indicates inadequate knowledge of the progress of expenditure.

(*ii*) *Head 11.*—The actual expenditure of Rs 59,47,860 was within the original grant of Rs 61,25,000 and so the net additions aggregating Rs. 1,13,821 (=52,450+81,101—19,730) do not appear to have been justified

(*g*) *Page 42—General Administration (i) Note under Head 12*.—I endorse the Accountant General's remark in this note

(*ii*) *Note under Head 13*.—The expenditure on account of refunds of ferry charges has been correctly adjusted as a reduction of receipt under "XXXV—Miscellaneous" but the provision in the budget was incorrectly made under this head This indicates defective budgeting

(*h*) *Page 43—Administration of Justice Head 6*.—The supplementary grant of Rs. 3,535 was unnecessary as the ultimate savings amounted to Rs 1,52,621. This case illustrates that it is too early in August to judge the necessity of comparatively small supplementary grants unless these are required to meet the cost of new services.

(*i*) *Page 46—Ports and Pilotage*.—(*1*) *Head 2*.—The explanation states that the recoveries of freight, landing, and clearing charges were Rs. 2,29,217 less than the budget estimate Thus it is probable that the budget estimate of such recoveries under "voted" was not less than Rs. 3 lakhs It appears that Rs 6,20,000 was the budget estimate of such recoveries under this head under "voted" and "non-voted" combined As the net allotment under this head under "voted" was Rs 12,000, the gross expenditure was probably over Rs 3 lakhs The Public Accounts Committee will probably wish the Accountant General in future in cases in which the recoveries are so important to show both gross and net figures

(2) *Head 4*.—In view of the saving of Rs 10,371, the addition of Rs. 3,000 appears to have been unnecessary

(*j*) *Pages 48-49—Education—(i) Heads 11 and 14*.—The original grants under these heads were reduced and there were ultimate large excesses showing that the reductions were not justified

(*ii*) *Heads 15 and 22*.—Though the original grants under these heads were increased, there were still excesses indicating that the provision made for an anticipated increase of expenditure was insufficient.

(*iii*) *Heads 17 and 23*.—The original grants under these heads were increased but the increases were not justified and resulted in large savings.

These results indicate general lack of control over expenditure in the Education Department, due either to inadequate knowledge of the progress of expenditure or to incorrect visualisation of events It would probably repay the Public Accounts Committee to investigate the causes of the above defects with a view, if possible, to making suggestions which may lead to a more accurate appropriation of funds

(*k*) *Page 50—Medical Head 5*.—The original grant was reduced by over one lakh but the savings still represent 47 per cent of the modified grant which suggests that the original budget estimate was too high.

(*l*) *Page 52—Agriculture Head 2.*—In view of the reduction by re-appropriation of Rs. 78,240 and saving of Rs. 1,33,794, the supplementary grant of Rs. 22,500 in March 1924 does not appear to have been justified.

(*m*) *Page 55—Civil Works—(i) Heads 12 and 22.*—It is not clear why the necessary re-appropriation of funds from head 22 to cover the excess under head 12 was not made.

(*ii*) *Head 24.*—Large re-appropriations from this head in the closing months of the year resulted in the excess of Rs. 1,47,496. This shows inadequate knowledge of the progress of expenditure and gives *prima facie* evidence of inadequate financial control.

(*n*) *Page 58—Stationery and Printing.—Explanation under Head 5.*—I agree with the Accountant General's opinion expressed in the second sentence of this explanation.

(*o*) *Page 59—Note under Head 3.*—This is an instance of defective budgeting as the provision was made in the budget under one major head, while the expenditure is adjustable under another.

(*p*) *Pages 60-61—Irrigation, etc.—(i) Head 1.*—A supplementary grant of Rs. 29,000 was sanctioned in March 1924 and the ultimate savings amounted to Rs. 76,910. This gives *prima facie* evidence of inadequate financial control.

(*ii*) *Head 4.*—The explanation shows that this is an instance of defective budgeting.

(*iii*) *Heads 5 and 12.*—It ought to have been possible before the March sessions to have realised that the recoveries would be less than the estimates and to have obtained a supplementary grant to meet the deficiency.

(*iv*) *Head 8. (1).*—The Public Accounts Committee might like to investigate when the decision regarding the adjustment of cost of dredgers under this minor head was arrived at and why necessary re-appropriation could not be made.

(2) The excess due to the cost of dredging the Bidyadhari is Rs. 49,954 [45,82,690—45,32,736 (Head 11)] and so the reduction by re-appropriation of Rs. 33,300 (net) was not justified.

(*q*) *Pages 63-4—Expenditure in England Heads 5, 6, 8, 11, 14 and 15.*—Under these heads there was failure to re-appropriate funds to meet the expenditure.

(*r*) *Page 70—Forest Head 3.*—The Accountant General's explanation means that provision in the budget ought to have been made under "voted" only, but according to the correct procedure provision ought to have been made under both "voted" "non-voted" *vide* paragraph 11 above.

(*s*) *Page 73—Note under Head 4.*—The original allotments and actual expenditure under this head are as shown below:—

In thousands of Rupees.

—	Allotment.	Expenditure.
Voted—India (page 43)	70,60	67,87
„ —England (page 63)	1	22
Non-voted—India (page 73)	9,40	6,13
„ —England (page 86)	1,53	2,30
Total	81,54	76,52

Thus there was considerable over-budgeting under this head as a whole

(t) *Page 76—Head 10.*—A reduction of Rs 42,490 in the original allotment was made and there has been an excess of Rs. 5,090. This gives *prima facie* evidence of inadequate financial control.

(u) *Page 82—Stationery and Printing*—It is not understood why the necessary transfer from the voted head was not made as has been done in other similar cases, *vide* paragraph 8 on page 20 of the report

(v) *Page 87—Minor Head "14 High Commissioner" under "34 Agriculture".*—No provision was made by re-appropriation to meet the expenditure under this minor head.

Enclosure VIII.

FROM SIR FREDERIC GAUNTLETT, K B.E., C I.E , I C S , AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF THE UNITED PROVINCES OF AGRA AND OUDH, FINANCE DEPARTMENT, No 709-ADMN /48-'25, DATED THE 15TH MAY 1925

SUBJECT:—*Appropriation Report on the accounts of the United Provinces for 1923-24*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under section 9 D (1) of the Government of India Act, I have the honour to *transmit herewith* two copies of the Appropriation Report on the accounts of the United Provinces for 1923-24, dealing with provincial subjects, prepared by the Accountant General, United Provinces for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872 Admn /734-21, dated the 15th May 1922, as amended by my letter No 2201-Admn /734-21, dated the 21st December 1922 I also transmit herewith two copies of the appendix to the report for action by the Government of the United Provinces, with reference to paragraph 7 of my letter of the 15th May 1922, cited above. This appendix does not concern the Public Accounts Committee.

Two copies of the accounts of the receipts and disbursements of the Secretary of State and High Commissioner for India on account of the Government of the United Provinces of Agra and Oudh for the year 1923-24 together with two copies of the reports thereon prepared by the Auditor, India Office, are also forwarded herewith. The special attention of the local Government is invited to the reports of the Auditor

2 *Section I—Provincial Finance*—It is satisfactory to note that the local Government has succeeded in reducing the amount of deficit from [illegible] 1921-22 to 16,36 (in thousands) in 1923-24 [illegible] in paragraph 8 on page 5 of the report), [illegible] ands) which was anticipated when the original budget for 1924-25 was presented is not expected to materialise (please see last sentence of paragraph 9 on pages 7 and 8) While I have had to offer one or two criticisms on points of detail in the Accountant General's presentation in paragraphs 9 to 61 of the report, I agree with the general conclusion in the first sentence of paragraph 61 of the report that the position is one that is fraught with anxiety having due regard to the fact that this was written before the Government of India had remitted any part of the provincial contribution Now that remission has started I have no doubt that the local Government will make a new and careful survey of the financial situation It seems desirable also that orders on the recommendations of the Economy Committee should be passed as early as possible (paragraph 61 on page 39)

3 *Page 11—paragraph 12—last sentence*—The Secretary of State has recently accepted the principle that lump sums paid for commuted pensions should be met from outside revenue funds, and the question of whether the commuted value should be met from Capital or Debt funds is under consideration.

4. *Page 14—paragraph 16.*—Certain proposals for the presentation of Irrigation accounts in a more complete commercial form are now under the consideration of the Government of India.

5. *Page 22—paragraph 29.*—I agree with the Accountant General that the interest paid by the Government of India should have gone into the Sinking Fund.

6. *Page 25—paragraphs 39 to 41*—The objects on which expenditure may be incurred from the annual assignment for famine insurance are defined in rule 2 of the rules in schedule IV of the Devolution Rules. The rule prohibits the expenditure of the annual assignments " save upon the relief of famine or the construction of protective irrigation works or other works for the prevention of famine." The rule permits the utilization of the famine insurance grant for construction outlay on any class of irrigation works which the local Government may decide as " protective ", but the diversion of the grant to meet the working expenses of unproductive canals and certain interest charges on Irrigation capital outlay would appear to be in contravention of the letter and spirit of the rules as it stands at present.

7. *Page 29—paragraph 50.*—Superannuation allowances and pensions represent a liability for services rendered and should be taken as a primary charge.

8. *Page 29—paragraphs 52 and 53.*—The Accountant General has omitted to mention in paragraph 52 the revenues which will accrue when the Sarda Canal projects are in full operation, although in paragraph 53 he refers to the interest to be paid on the loans from which those projects are being constructed. It is recognised, of course, that some years must elapse before these projects come into full operation.

9. *Page 42—paragraph 66.*—The reasons urged in this paragraph were those on which the decision of the Government of India referred to in paragraph 67 was based. The sanction to the loan was accorded by the Government of India before this point had been carefully examined and it may be assumed that in future the Government of India will not sanction the use of a loan in making free grants to local bodies.

10. *Page 43—paragraph 70.*—The Accountant General has little justification for the statement that the Government of India might have objected to find funds for the unproductive expenditure of 1,54,38. The local Government (Borrowing) Rules quite deliberately contemplated the utilisation of loan funds on the production of material assets, even though they might be unproductive subject to two provisos, one of which was that if the expenditure was unproductive arrangements must be made for the amortisation of the debt. It is, and always has been, within the discretion of the Government of India to grant or to refuse advances so that the Government of India might have refused. In fact requests from local Governments for advances for such purposes have usually, if not invariably, been granted. I think, however, it is justifiable to say that events have proved that financially Government would have been in a better position if they had embarked on a less ambitious programme of capital expenditure until the remission of the provincial contribution had started.

11. *Page 44—paragraph 71.*—I assume that the Accountant General means that unproductive expenditure should ultimately, not necessarily immediately, be met from Revenue. As regards the Accountant General's criticism of the adequacy of the present arrangements for paying off expenditure met from the loan, I am awaiting further particulars from the Accountant General before making any comment.

12. *Page 47—paragraph 75—(also page 75—paragraph 104).*—The Public Accounts Committee have since considered the Appropriation Report for 1922-23, *vide* their seventh report of February 1925.

13. *Page 48—paragraph 77.*—The duties of the Public Accounts Committee in respect of the Audit and Appropriation Reports have to be determined by reference to the Provincial Legislative Council rules and under those rules it has no powers save only in respect of money voted by the Legislative Council, or in respect of matters specifically referred to the

Committee by the Finance Department. The Committee has no powers in respect of *non-voted* expenditure, so that the Government, and not the Committee is responsible for the consideration of all comments on such expenditure.

14. *Pages 56 to 58.*—For running canals a consolidated statement similar to that for Buildings and Roads Branch on *page 55* is given below —

Year.	Outlay on works and repairs.	Establishment		Tools and Plant	
		Charges distributable, *pro rata*	Percentage	Charges distributable, *pro rata*	Percentage
1919-20	40,16,271	17,68,407	44·0	18,520	0·4
1920-21 . . .	39,58,821	22,69,[illegible]	57·3	1,28,316	3·2
1921-22 . .	46,98,443	23,35,267	49·7	1,00,671	2·1
1922-23	44,47,631	23,20,908	52·2	74,7[illegible]	1·7
1923-24 . . .	43,32,734	22,77,088	52·5	66,136	1·5

It will be seen from the above statement that *the percentage of establishment* charges to expenditure on works and repairs has *reached a high figure* This increase has already attracted my attention as it appears to be general all over India and I am now considering whether I should not urge the Government of India to increase the rates for establishment and tools and plants *in respect of work undertaken by* central P W establishments for outside bodies

15. *Page 63—paragraph 95—last sub-paragraph* —The procedure suggested in this sub-paragraph was brought to the *notice of the* local Government in my letter No 295-Admn /24-23, dated the 13th February 1923 The acceptance of the procedure will facilitate the comparison of the total expenditure under the P W heads with the sums granted for the *same*

Appropriation Accounts

16 *Pages 76-78—appropriation accounts by grants (voted)* —A review *of the appropriation accounts* given on these pages *shows that the Legislative Council was asked to sanction a reduction in certain grants* when the question of sanctioning re-appropriations between grants came up for consideration before the Central Public Accounts Committee, the Hon ble the Finance Member explained that no re-appropriation should be proposed in placing the supplementary grants before the Legislative Assembly as a *saving under one head is by itself no justification for an excess under another, and as from the* point of view of parliamentary control of expenditure, it is undesirable to encourage underspending under one head with a view to overspending under another If re-appropriations from one demand to another were treated as a matter of course there would be a great temptation to keep a margin of possible savings under some heads, when preparing *the budget* Moreover, actual *reduction of* expenditure *can follow only* if the saving is foreseen long before and the reduction in the grant communicated to disbursing officers early enough, which is, in most cases, impracticable as the total saving which may be foreseen has to be distributed under different sub-heads and communicated to various disbursing officers *He therefore, suggested that the* Assembly should not be *asked to* sanction a reduction in any grant already ...ade but *when* a supplementary grant is asked for the Assembly should ...ormed what savings are likely to occur under other heads Most of ...ntages of an actual reduction of a grant, (*viz* checking expendi... ...r a particular head) can be obtained by the *issue of orders* to a ...t to underspend its grant to a *certain* extent Thus when during

the course of the year it becomes apparent that unexpected savings can be anticipated under a particular head, the Finance Department should fix a lower maximum to the spending department, any excess over which should be dealt with by departmental action if no sufficient explanation was forthcoming. This is the course followed in England and the Central Public Accounts Committee and the Government of India have agreed that this procedure should be followed in future. It is recommended that the local Government should also consider how far they can adopt this procedure.

17. The fact that in certain cases excesses though foreseen in the revised estimates were not provided for gives rise to the impression that the local Government regards as unimportant the provision of funds to meet excesses. Instances are given below :—

(*a*) In the following cases the local Government should have presented a supplementary grant :—

(1) *Page 85*—9—Registration—District Charges.

(2) *Page 99*—24—Administration of Justice—Pleadership Examination Charges.

(3) *Page 119* 45—Superannuation Allowances and Pensions—Superannuation and retired—

(i) Allowances.

(ii) Gratuities.

(*b*) In the following cases the excesses could have been met by the local Government by re-appropriation :—

(1) *Pages 123 and 125*—47—Miscellaneous—Irrecoverable temporary loans written off.

(2) *Page 108*—32—Medical—

(i) Medical Establishment.

(ii) Chemical Examiner.

18. The following are instances of defective budgeting :—

(1) *Page 100*—25—*Jails and Convict Settlements, Jails, Jails Manufactures.*—The savings are all the more marked in view of the fact that the budget estimate had already been cut down by Rs. 30,000 to allow for the abolition of fifth class jails which did not take place (*vide* paragraph 102 on page 74 of the report).

(2) *Page 114*—41—*Civil Works—Deduct—English cost of stores and establishment.*

(3) *Page 136*—60-*A*.—*Other Provincial Works not charged to Revenue—General Administration.*

It is presumed that these cases will be brought to the notice of the Public Accounts Committee under the rule referred to in paragraph 74 (*c*) on page 47 of the report.

19. I offer the following detailed comments on this section of the report :—

(a) *Page 82, 5—Land Revenue.*—The supplementary grants sanctioned under this head appear to be unnecessary in view of the large saving in the original grant and the Public Accounts Committee might perhaps like to investigate whether any laxity of control over expenditure or want of foresight existed.

(b) *Page 83, Explanation (3).*—But for the misclassification there would have been a saving under this grant.

(c) *Page 84, Explanation.*—The United Provinces stamp and court fee (Amendment) Acts, 1923, were given effect to in the beginning of the financial year 1923-24 (please see paragraph 9 on page 8 of the report) and so the Public Accounts Committee might like to investigate whether additional expenditure on

account of the greater sale of stamps could not have been foreseen and provided for by a supplementary grant The Public Accounts Committee may also wish to ascertain whether any arrangement now exists whereby the local Government can obtain from Central Stores during the course of the year any statement of issues as information on which to base an estimate of the *supplementary grant* necessary. It seems obvious that this was not done in the year under review as the allotment was (12,500+62,000=) 74,500 *whereas actual* expenditure was (82,727+1,64,850=) 2,47,577

(d) *Page 85, Minor Head "District Charges" and explanation (2)* —The statement on page 3 of the report shows that the Legislature reduced the grant by Rs 1,000 Thus this is a case in which there was an excess under a head which was reduced by the Legislature and is therefore specially brought to the notice of the Public Accounts Committee

(e) *Page 89.*—When provision was made for expenditure in England under this major head in the grant for expenditure in England, provision should have been made in the demand dealt with on this page for loss by exchange

(f) *Page 94.*—The explanation on this page is very vague The Public Accounts Committee may wish to obtain a fuller explanation from the Accountant General An obvious question is why, if the advances were sanctioned from sources other than the Famine Insurance Fund, they were brought to account within that Fund

(g) *Page 101, 26—Police.*—The saving works out to about 2 *per cent* of the net grant and denotes good financial control

(h) *Page 103—Explanation (1)* —The Public Accounts Committee may like to enquire why re-appropriation to meet the excess was not made from the savings under the Transferred head

(i) *Page 104—Explanation (5)* —The actual recoveries of contribution were more than 10 times the amount provided on this account in the budget estimate This seemingly points to a difficulty in estimating such contributions which it might repay the Public Accounts Committee to investigate The Public Accounts Committee may also wish to consider whether it is not desirable to show separately in the appropriation accounts any recoveries adjusted by deduction from expenditure

(j) *Page 119—Explanation (1)* —The reduction of Rs 1,49,990 in the original grant does not appear to have been justified and the Public Accounts Committee might like to know the reason for it

(k) *Page 121—Explanation (4)* —The Public Accounts Committee might like to investigate why necessary provision was not made in the original demand and why that defect was not rectified by re-appropriation of funds from head (3) to this head.

(l) *Page 123*—(i) —*Explanation (9)* —The actual expenditure was less than the original grant There was increase by supplementary grant and re-appropriation of Rs 13,600 and a saving of Rs. 13,300 which would appear to indicate inadequate knowledge of progress of expenditure The saving represents over 30 *per cent* of the modified grant

(ii) *Explanation (12)* —The grant as modified by the Legislature came to Rs 76,600 the revised estimate was Rs 70,000 and there was an excess of Rs 30,000, which represents approximately 60 *per cent* of the net grant Here again there appears to have been inadequate knowledge of the progress of expenditure.

(m) *Page 124—head 17.*—The additional re-appropriation of Rs. 30,505 appears to have been unnecessary and denotes again inadequate knowledge of the progress of expenditure.

(n) *Page 126—Explanation (3).*—It should have been possible to foresee savings due to reduction of establishment and abolition of posts. In the circumstances the Public Accounts Committee may wish to enquire when the increases in the original grant were made and why.

(o) *Page 127—Explanation (2) (d).*—Refusal to accept payment seems unusual and the Public Accounts Committee may wish to investigate the matter.

(p) *Page 135—Explanation (1).*—Presumably provision for the extension to the Agricultural College, Cawnpore, existed in the original budget. If so, the Public Accounts Committee might ascertain whether plans and estimates for the work had been prepared before the funds were allotted, as experience in other provinces has shown that when this is not done the allotment is seldom utilised.

(q) *Page 148—Explanation (2).*—It is not clear why provision could not have been made subsequent to the budget for interest on the Government of India advance.

Enclosure IX.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF THE PUNJAB, FINANCE DEPARTMENT, NO. 730-ADMN./49—25, DATED THE 19TH MAY 1925.

SUBJECT :—*Appropriation Report on the accounts of the Punjab for 1923-24.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under section 96-D. (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Punjab for the year 1923-24, dealing with provincial subjects, prepared by the Accountant General, Punjab, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734—21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734—21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action by the Government of the Punjab, with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee.

Two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of the Punjab for the year 1923-24 together with two copies of the reports thereon, prepared by the Auditor, India Office are also forwarded herewith. The special attention of the local Government is invited to the Auditor's reports.

2. I offer the following comments on the Appropriation Report.

3. *Page 2, paragraph 6, entry No. 5 (a) of the statement, explanation on page 3.*—The loan referred to in entry No. 5 (*a*) is not compulsorily repayable within any prescribed period (*vide* Devolution Rule 24) but is repayable if the local Government so desire and so the Accountant General's statement to the effect that "the loan is not repayable" is incorrect. In fact one local Government has already repaid to the Governor General in Council the amount of capital outlay spent by them on the construction of irrigation works before the introduction of the Reforms.

4. *Page 12, paragraph 22, letterpress at bottom*.—The Accountant General should have inserted after the word "above" in line one "item 25 is being met from loan funds and the other works falling, etc "

5. *Page 16, paragraph 34*.—It will not be possible to draw from the accounts of the Forest Department any accurate idea of the financial results of the administration until those accounts are maintained on a commercial basis.

6. *Provincial Finance*.—The receipts of the provincial Government, on other than capital requirements, exceeded the expenditure of the year by 97,30 thousands (*see* paragraph 6 of the report) and the revenue of the year was more than that of the previous year by 87,49 thousands and the expenditure chargeable to revenue was less than that of the previous year by 89,20 thousands The net improvement in the revenue account as compared with the previous year was thus 1,76,69 thousands (*see* paragraph 7 of the report). The revenue surplus of 97,30 thousands is on the face of it substantial but as a review of the circumstances of the year under report discloses various important abnormal features which should discount any undue optimism, I endorse fully the Accountant General's remark contained in paragraph 14 of the report that the necessity for further retrenchments in expenditure and for devising means for increasing the revenue continues especially as the growth of revenue has not kept pace with the growth of expenditure (*vide* paragraph 10 of the report) It is satisfactory, however, to note that the local Government has raised additional revenue by increasing the Canal water rates (*see* paragraph 29 of the report) and that the amount of contribution payable by the provincial Government to the Governor General in Council has been reduced by 61 lakhs with effect from the year 1925-26.

7. *Page 27—paragraph 52 (b)*.—No improvement in the matter of over budgeting appears yet to have taken place, *vide* paragraph 65 (*c*) of the report. Specific cases under minor heads have been dealt with in paragraph 20 below.

8. *Page 28—paragraph 53*.—The recommendation that the main points which concern the Public Accounts Committee should be clearly set forth in a separate part of the Appropriation Report is under consideration of an officer who has been placed on special duty to advise as to the revision of the form of the Indian Audit and Appropriation Reports so as to make them conform more closely to the English Report

9 *Page 29, paragraph 54*.—This proposal was considered at a meeting of the Finance Members (please *see* page 9 of the Proceedings of the Conference of Financial Representatives held at Delhi in November 1924)

10 *Page 30, paragraph 55*.—It is important that the report of the Public Accounts Committee and the action taken thereon by the local Government should be communicated to me and the Accountant General in time to enable the offer of any comment which it may be considered desirable to include in the next report.

11. *Page 31, paragraph 58*.—In this connection I may mention that on the recommendation of the Central Public Accounts Committee contained in paragraph 27 of their report for 1921-22, I instructed Accountants [illegible] audit in respect of central expenditure [illegible] grants in cases where receipts are taken [illegible] r as provincial expenditure is concerned, I merely asked Accountants [illegible] l to suggest to the local Government the desirability of the issue of similar orders The recognition of both gross and net grants, however, involve important constitutional issues which are now under consideration

12. *Page 35, paragraph 66*.—As pointed out in the last report, it is impossible for me on the evidence before me to say whether all these cases afford *prima facie* evidence of the defects alleged by the Accountant General.

In considering them, the Public Accounts Committee will no doubt consider among other matters :—

(*a*) the character of the expenditure in question whether it is such as to make control or provision easy or difficult;

(*b*) the proportion of the excess or saving to the actual expenditure; and

(*c*) the date at which the original grant was reduced or increased.

13. *Page 37, paragraph 67.*—The Public Accounts Committee will no doubt bring the excesses over reduced appropriations not covered by supplementary appropriation to the notice of the Legislative Council.

14. *Pages 38 to 46.*—I suggest for the consideration of the Public Accounts Committee that it is unnecessary for the Accountant General to record any item—

(*a*) if the expenditure is less than the reduced appropriation,

(*b*) if the expenditure is greater but has already been covered by a supplementary appropriation.

15. *Page 47, paragraph 68.*—Last year in paragraph 11 of my letter No. 824-Admn./67—24, dated the 17th May 1924, the practice of the Government of India in not proposing re-appropriations between grants was recommended to the Punjab Government for adoption. While considering this question an important constitutional question arose, *i.e.*, whether the Legislative Council is competent to reduce or withdraw a grant already voted by it and it is understood that this question has been referred by the local Government to the Government of India whose decision is awaited.

16. *Page 50, paragraph 72* (i).—The Public Accounts Committee might like to investigate the question of appropriation as suggested by the Accountant General. I agree with the Accountant General's remarks in the detailed explanations on pages 78-9, 122-3 and 140-1 that the present state of affairs indicates lack of proper control over grants and inadequate knowledge of the progress of expenditure.

(ii) As regards the use of the head "Savings" as a medium for the transfers to and from various minor heads (please also *see* Note 3 on page 78), it may be mentioned that another provincial Government used a head "Reserve at the disposal of Finance Department" to which savings were simply re-appropriated. As no amounts were re-appropriated to other heads from that Reserve, I have offered no comment on that procedure as I deemed it unobjectionable.

17. *Page 51, paragraph 74.*—I shall watch with special interest the effect of the orders issued by the local Government.

18. *Page 52, paragraph 75* (*a*).—The Auditor, India Office, is responsible for appropriation audit against that particular portion of a grant which has been sanctioned for expenditure in England. As the Accountant General, Punjab, alone can conduct appropriation audit in the case of a single grant covering expenditure both in England and in India it is necessary that the local Government should intimate to the Accountant General, Punjab, any modification made in the grant for expenditure in England, so that he may carry out appropriation audit both in respect of the Indian portion of the expenditure as also the total expenditure.

19. *Page 52, paragraph 75* (*b*).—The disagreement is apparently due to the failure on the part of the Finance Department to communicate to the High Commissioner for India all modifications in the grant for expenditure in England. To obviate any possibility of delay in the publication of the statement showing the comparison of the estimated and actual Home charges, that might occur as a result of the acceptance of the Accountant General's suggestion contained in the last sentence of this paragraph, the Chief Accounting Officer to the High Commissioner for India may be asked to send his list of modified grants to the Accountant General at once at the close of the year.

Appropriation Accounts.

20. A persusal of the detailed comments in this section of the report will show that defective or incorrect budgeting and changes of classification introduced during an account year chiefly hamper effective financial control

(a) As regards budgeting, there were several cases in which the original budget provision was wide of the mark Instances are cited below —

(i) *Page 66, Minor Head, B—Conserviancy and works* —Here the original appropriation was reduced by Rs 2,95,100 but there was still a saving of Rs 2,72,135

(ii) *Page 72, Minor Head, (N)—Extensions and Improvements* —The original appropriation was Rs 77,000 but the expenditure was Rs 2,855 only

(iii) *Pages 73, Minor Head (V)—other charges* —The original appropriation was Rs 10,000 while the expenditure was Rs 70,661

(iv) *Page 75, Minor Head (BB) —works* —The original appropriation was Rs 50,000 but the expenditure was Rs 7,467 only

(v) *Page 75, Minor Head (BB)—Extensions and Improvements* —The original appropriation was Rs 94,000 and the expenditure was Rs 21,585 only

(vi) *Page 99, Minor Head (H)—Government Special Schools* —The original appropriation was Rs 6,76,000 and the expenditure was Rs 5,23,025

(vii) *Page 102, Minor Head, (A)—Medical Establishment* —A saving of Rs 1,48,494 occurred after the original appropriation had been increased by Rs 88,010 and reduced by Rs. 23,950 Provision for 125 Sub-Assistant Surgeons was made at the average rate instead of at the actual rates of pay

(viii) *Page 103, Minor Heads—Deduct entries (F), (G) and (H)* —Here the appropriations were either over-estimates or under-estimates of recoveries

(ix) *Page 108, Minor Head (B)—Veterinary charges* —This is an instance of over-budgeting

(x) *Page 126, Minor Head (B)—Commuted value of pensions* —The actual expenditure proved to be only 53 per cent of the *original appropriation, which suggests that the latter was a* considerable over-estimate

(xi) *Page 145, Minor Head (B)—Loans to Municipalities and Local Bodies* —Here there was over-budgeting

(b) Another disturbing factor caused by incorrect budgeting is that expenditure is booked under a head other than that under which provision exists The most common example of this is the provision under the non-voted section for expenditure which is voted and *vice versa* Instances are given below —

(i) *Pages 83 and 84, Minor Head (P) and (R)* —Loss by Exchange

(ii) *Page 92, Minor Head (F)* —Loss by Exchange

(iii) *Page 127, Minor Head (G)* —Loss by Exchange

(iv) *Page 164, Minor Head (D)* —Legislative Council

(v) *Page 171, Minor Head (A)* —Government Arts College and explanation (A) (ii) on page 173

(vi) *Page 178, Minor Head (A)* —Industries

(vii) *Page 180, Minor Head (A)* —Establishment

In the last four cases cited above, the salary of officers which was votable was provided for in the non-voted section or *vice versa*. While admittedly in the case of salaries it is not always possible to foretell accurately the incidence of expenditure, in the cases commented on it is

inferred from the Accountant General's remarks in the report that it was in these cases possible to know beforehand whether expenditure would be voted or non-voted.

(*c*) As regards changes in classification, the few cases noticed will not recur when the Public Accounts Committee's recommendation that no change in classification should be made during an account year is given effect to (*vide* paragraph 52 (*h*) of the report).

21. The following detailed comments are offered on this section of the report:—

(a) *Page 60, Minor Head (D)—Land Records.*—Out of the saving of Rs. 97,040 no less than Rs. 89,000 was due to the provision made for the scheme of a Provident Fund for Patwaris which was not finally sanctioned by Government during the year. This gives rise to the question of whether it is desirable to provide in the original budget for a scheme which is not fully matured. The willingness of the Council to provide funds for such a scheme could be ascertained by the submission, of a token grant and the necessary funds obtained later by a supplementary grant when the scheme was ready to be carried out.

(*b*) *Pages 64-65—Explanation under head (K).*—The Public Accounts Committee might like to investigate whether arrangements cannot be made to ascertain before the close of the year the approximate amount of expenditure which will be debited to the provincial Government.

(*c*) *Page 69—Minor head—(A) Extensions and Improvements.*—In view of the saving of Rs. 4,66,730, the supplementary grant of Rs. 4,56,500 so late in the year as January 1924 seems to have been unnecessary.

(*d*) *Page 79—(i)Note (A) (i).*—The Public Accounts Committee may wish to ascertain the cause of the delay in the raising of debits by the Civil Department.

(*ii*) *Note (A) (ii).*—The Public Accounts Committee may wish to ascertain why provision was made in the demands for schemes which were not fully matured.

(*e*) *Page 80—Note under head (A).*—The Public Accounts Committee might like to investigate why the liabilities which have been carried forward could not be adjusted in the accounts of the year under report.

(*f*)*Page 82—Head E and explanation (E) on page 86.*—So far as provision for the Legal Drafting Establishment is concerned, the remarks in the last sentences of clause (*a*) above apply.

(*g*) *Page 94—Explanation (2).*—Presumably the additional grant of Rs. 6,000 sanctioned by the Standing Finance Committee came out of the "Civil Contingencies Fund" in which case the question also arises whether the provision was subsequently approved by the Council (*vide* paragraph 45 (3) (*ii*) on page 25 of the report). Otherwise the Standing Finance Committee can only sanction re-appropriations from one grant to another, *vide* paragraph 45 (3) (*i*) of the report.

(*h*) *Page 96—Minor heads (B) and (C).*—It is not clear why no re-appropriation was made from head (B) to head (C) to cover the excess under the latter head.

(*i*) *Page 99.—(i) Minor head—(E) grant to Local Bodies for Secondary Education.*—The last half of the explanation under this head denotes inadequate financial control.

(ii) *Minor head—(F) Government Primary Schools*—The Public Accounts Committee may like to ascertain why the budget provision was inaccurate and why when the *expenditure* was not booked in accordance with the budget provision the necessary re-appropriation was not made

(iii) *Minor head—(G) Direct grants to Non-Government Primary Schools.*—An addition by re-appropriation of Rs. 9,000 was made but the actual expenditure is less than the original appropriation This seems to indicate inadequate *knowledge* of the progress of expenditure

(j) *Pages 106-7—Note under head (A)*—The note appears to indicate some misunderstanding between the Finance Department and the departmental authorities which the Public Accounts Committee may wish to investigate

(k) *Page 108—Co-operative credit*—In view of the saving of Rs 36,127 the additional grant of Rs 13,000 sanctioned in January 1924 (*vide* explanation (3) under variations between grants) appears to denote inadequate knowledge of the progress of expenditure

(l) *Page 124—General note regarding variations between the net grants and the actual expenditure*—The detailed explanations of variations should be [illegible] rities sufficiently early so as to incorporate them in the

(m) *Page 125.*—There is an excess which will require the formal sanction of the Legislature Besides it is unusual to have so small an expenditure under this head It is easy to understand the incurring of no expenditure or of considerable expenditure *under this head, but it is difficult to understand* the incurring of Rs 102 only

(n) *Page 128.*—(i) *Minor head—(D) Lithography*—The original appropriation was *Rs. 26,000 the* expenditure came to Rs 20,688 (including "Transferred") and there was a *saving of Rs. 23,857. The addition by re-appropriation of* Rs *18,545 does not seem to have been justified*

(ii) *Minor head—(E) Printing work done by Central Government, etc*—The Public Accounts Committee may wish to know whether *the adjustment was brought to the notice of the* authority responsible for making provision for the expenditure

(o) *Pages 148-9*—There is an excess *under this grant and before* the Public Accounts Committee decides to *recommend* the Council to vote a supplementary grant, *it may wish to ascertain* why *the excess could not be foreseen and a supplementary* grant obtained

(p) *Page 166*—(i) As provision was made in the budget for expenditure in *England, provision should also have been made* at the same time for loss by exchange

(ii) *As the need* for the addition *for expenditure* in England arose owing to Judges of the *High Court and Sessions* Judges proceeding on leave, the addition could have been met by re-appropriation from the minor heads "*(A) High Court*" and "*(B) Civil and Sessions Courts*" The total expenditure under the grant was Rs 10,47,437 *as against* an original grant of Rs 11,70,000 and *yet this was increased* to Rs 12,57,500 This seems to indicate *inadequate* watch over expenditure

(q) *Page 167—Minor head—(A) Jails*—The *explanation* given seems to indicate that the need for an additional grant could have been foreseen

(r) *Pages 168 and 172.*—Here also as provision was made in the budget for expenditure in England, provision should also have been made at the same time for loss by exchange. As regards the excess on page 168 the remark in clause (*q*) above applies also.

(s) *Page 171—Minor head—(D) Direction.*—The Public Accounts Committee may wish to know why re-appropriation was not made to meet the extra expenditure involved by the change in classification.

(t) *Pages 179 and 180.*—The provision under " Loss by Exchange " is out of all proportion to the provision under " Expenditure in England."

Enclosure X.

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF BURMA, FINANCE AND REVENUE DEPARTMENT, NO. 781-ADMN./50-25, DATED THE 29TH MAY 1925.

SUBJECT :—*Appropriation Report on the accounts of Burma for 1923-24.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the Accounts of Burma for the year 1923-24, dealing with provincial subjects, prepared by the Accountant General, Burma, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action by the Burma Government with reference to paragraph 7 of my letter of the 15th May 1922, cited above. This appendix does not concern the Public Accounts Committee.

Two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Burma for 1923-24, together with two copies of the reports thereon prepared by the Auditor, India Office, London, are also forwarded herewith. The special attention of the local Government is invited to these reports of the Auditor, India Office.

I presume that the Public Accounts Committee will ask the Accountant General, Burma, to attend its meetings concerned for the purpose of examination of the Appropriation Report so as to help it with advice and information.

2. I offer the following comments on the Appropriaton Report.

3. *Pages 3 and 4, paragraph 9, last sentence.*—I suggest that the savings should be actually withdrawn from the disbursing officers by specific reduction by Government and transferred to a minor head within a grant to be called " Reserve at the disposal of the Finance Department." This should be done at a particular period of the year under the orders of the Finance Department, and disbursing officers informed by their controlling officers of the reduction in grants at their disposal in time to enable them to keep their expenditure within the reduced grants. Unless this is done, besides the contingency anticipated by the Accountant General, it is possible that the same savings might be earmarked a second time to cover another supplementary grant.

4. *Page 4, paragraph 10.*—I suggest that the control exercised by the Finance Department cannot be effective if it does not insist on due regard to appropriations under minor heads.

5. *Page 5, paragraph 11, page 8, paragraph 22* —The gross grants have not been shown separately in Form B as stated by the Accountant General in paragraph 11 The propriety of showing both gross and *net* grants in the central budget is still under consideration of the Government of India.

6. *Page 5, paragraph 12* —I shall watch with special interest the effect of the orders issued by the local Government and shall be particularly anxious to learn to what extent the departmental figures are found sufficiently reliable for practical purposes.

7 *Page 5, paragraph 13.*—Early orders are desirable as the matter has been some time under consideration.

8 *Pages 9-10, paragraphs 23-24* —The Public Accounts Committee will no doubt take necessary action to bring this matter to the notice of the Legislative Council. As the Legislative Council has no powers in respect of non-voted expenditure, the question arises whether the cuts made by the Council in lump sum should not have been given effect to in the "voted" portion of the grant only If this view is correct the action of the local Government in distributing the amount of the cut over both "voted" and "non-voted" portions of the grant was wrong

9 *Pages 10-11, paragraphs 25-28* —The amount of the additional grant, Rs. 8,93,975 certified by the Governor was only a *net* figure and was made up of an addition of Rs 10,30,575 under "voted" and of a reduction of Rs. 1,36,600 under "non-voted" As no re-appropriation from "non-voted" grants to "voted" grants can be made by an authority other than the Legislature, the full amount of Rs 10,30,575 should have been certified by the Governor under "voted" This does not directly concern the Public Accounts Committee

10. *Page 11, paragraph 29* —The Auditor, India Office, is responsible for appropriation audit against that particular portion of a grant which has been sanctioned for expenditure in England As the Accountant [illegible]

any modification made in the grant for expediture in England, so that the Accountant General may be able to carry out appropriation audit both in respect of the Indian portion of the expenditure and also the total expenditure

11 *Pages 14-16, paragraphs 36-40* —I strongly endorse every word which has been written by the Accountant General in these paragraphs I think that his comments should be brought very prominently to the notice of the Public Accounts Committee, which will doubtless desire to consider the position which has arisen owing to the disregard, both in the letter and the spirit of the conditions which the Secretary of State imposed upon the utilisation of the Rice Profits Fund I myself must, of course, bring the facts to the notice of the Secretary of State I must also mention the fact that though the decision refe[illegible]
communicated by me to the l[illegible]
formed by the Government of [illegible]
cation on this subject had been received by the Government of India [illegible]
the local Government for submission to the Secretary of State

12 *Pages 20-39, paragraphs 48-67* —*Financial Position of Government* —The position indicated in these paragraphs is grave in the extreme, and merits the most serious consideration on the part of the local Government and the Public Accounts Committee I do not desire to press for the literal acceptance of each estimate of normal revenue and expenditure prepared by the Accountant General, though I recognise that these have been prepared with great care and should not be lightly disregarded On the [illegible] forecast possible, however, there is a gap of at least half me[illegible]
a [illegible]
quite apart [illegible]

loans raised to further the development, of which the province is so greatly in need. I realise that the present unfavourable position is to some extent due to the prevailing depression of the timber market, and that a revival of Forest revenue would produce a marked effect upon the provincial finances. Such a revival must, however, in order to prove effectual, be immediate and there is little prospect of such a happening. It would also be in my opinion, unduly optimistic to assume that an improvement under this head alone could bridge over the gap of more than half a crore. I further recognise that the remission of any considerable part of the contribution paid from provincial finances to the Central Government, would greatly ease the position of the province, but in this case also it would be rash to expect appreciable relief in the near future. Common prudence therefore, demands that steps should be taken at once to remove the discrepancy between revenue and outgoings which, if it remains as at present, can lead to no other result than bankruptcy. I commend these remarks to the most serious consideration of the Public Accounts Committee.

13. *Page 40, paragraph 70.*—It is not possible to draw from the accounts of the Forest Department any accurate idea of the financial results of the administration until those accounts are maintained on a commercial basis.

14. *Page 44, paragraph 76.*—It is specially important that the report of the Public Accounts Committee and the action taken therein by the local Government should be communicated to me and the Accountant General concerned in time to enable us to offer any comment which it may be considered desirable to include in the next report.

Appropriation Accounts.

15. *Reserved and Transferred Grants.*—(*a*) It is noticeable that in the following demands for grants the local Government made little or no attempt to comply with the last sentence of rule 26 (1) of the Provincial Legislative Council Rules of Business and to keep "Reserved" and "Transferred" grants separate.

Name of Grant.

11.—Police.

13.—Scientific Departments.

18.—Industries.

19.—Miscellaneous Departments.

20.—Civil Works.

23.—Stationery and Printing.

24.—Miscellaneous.

26.—Loans and Advances.

This practice of the local Government gives the Finance Department the power of re-appropriation from a portion of a grant under the control of a Minister to a portion of the same grant under the control of a Member and *vice versâ* which was not contemplated when the Devolution Rules were drawn up and is contrary to the underlying principles of the Reforms.

(*b*) In view of the decision of the Governor that the minor head "Charges on account of fishery collections" under the major head "Land Revenue—Reserved" should be treated as a "Transferred" subject (*vide*, page 49, Explanation D), there should be a separate demand for "Land Revenue—Transferred."

The explanations under heads E and S, K and U, L and V (on pages 78-81), suggest also the desirability of some attempt being made to obtain greater accuracy when allocating the original provision between "Reserved" and "Transferred".

16 In the following cases the addition of *comparatively small amounts* by re-appropriation when there were eventual large savings appears to have been unnecessary.

Major head	Minor head
Page 19—Land Revenue	C—Charges on account of Land Revenue collections.
" " "	E—Survey and Settlements
Page 52—Forests	B—Conservancy and works
Page 58—General Administration	O—Other establishments
Page 62—Police	B—District Executive Force
" "	O—Miscellaneous
Page 66—Education	G—Direct grants to non-Government Primary Schools
Page 70—Agriculture	A—Agriculture
" "	E—Expenditure in England
Page 74—Civil works	Transferred—F—Repairs
Page 79—Miscellaneous	Reserved—L—Contributions

If the increase was sanctioned at a time of the year when substantial savings had already accrued, it shows deficient knowledge of the progress of expenditure. If, on the other hand no savings or insufficient savings had accrued at the time the re-appropriation was made, it would seem desirable before sanctioning an increase of such comparatively small amounts to wait till it can be *known with some certainty that savings will not be available* to meet the anticipated expenditure.

17. As regards the minor heads "Expenditure in England" and "Loss by Exchange" it is observed in several cases that while the proportion between the original grants for these two heads has been reasonable the same proportion has not been observed in subsequent modifications of the grants leading to anomalies in the final figures under these heads. The more striking instances will be found on pages 52, 72 and 99

18 The following appear to be instances of defective budgeting

(i) *Page 52—Forest—A-General Direction*.—Provision of Rs 21,000 on account of Botanical garden was made under minor head A instead of under minor heads B and C

(ii) *Page 53—10—State Railways—A Interest on Debt*.—The provision was made under "voted" instead of under "non-voted" and included provision for interest charges for the Branch Lines taken over by the Railway Board (Government of India)

(iii) *Page 54—13 Interest on works for which Capital Accounts are kept.*—Provision was made under "voted" instead of under "non-voted".

(iv) *Page 58—General Administration—F-Provincial Legislative Council.*—The savings amount to 38 per cent of the appropriation which was apparently an over-estimate

(v) *Page 60—Administration of Justice—D Civil and Sessions Courts*.—There was bad budgeting under "Supplies and services" under this minor head

(vi) *Page 62—Ports and Pilotage—D-Ports Establishment*.—Charges for joint establishment payable to the Central Government were provided for under "voted" instead of under "non-voted"

(vii) *Page 69—Public Health—Minor heads A, B and C*.—The figures under these heads seem to indicate defective budgeting

(viii) *Page 70—A-Agriculture*.—In view of the fact that the saving of 3,55 (thousands) under this head does not take account of the re-appropriation of 1,23 (thousands) made to meet the grant for the improvement of the Rangoon Zoological gardens the

actual saving on 31st March 1924 was 4,78 (thousands) or approximately 48 per cent. of the original appropriation which would seem to indicate considerable over-budgeting.

(ix) *Pages 74-5—Civil works explanation C.*—The explanation affords *prima facie* evidence of incorrect budgeting. If the budgeting was correct the question arises why the expenditure was booked under other heads.

(x) *Page 103—Civil Works—B—Loss by Exchange.*—Provision should have been made under this head at the same time as it was made under " C—Expenditure in England ".

19. In the following cases the percentage of deficiency of actual expenditure to modified grant, taking the gross figures, seems to indicate close financial control.

	Percentage.	Gross modified grants (in thousands of rupees).
Page 50—Excise	2	18,14
Page 52—Forests	5	95,97
Page 60—Administration of Justice .	1·5	45,62
(There was also an excess of Rs. 14,046)		
Page 62—Police . . .	5	1,83,47
(There was also an excess of Rs. 79,955.)		
Page 66—Education	5·5	71,98
Page 68—Medical services . . .	4	29,79
(There was also an excess of Rs. 21,029.)		

20. The following detailed comments are offered on the variation shown in the appropriation accounts :—

(*a*) *Pages 49-50—Explanation under head E—Survey and Settlements.*—The explanation indicates that the change in classification of expenditure on survey school was made during the year. The orders in paragraph 5 of the Government of India, Finance Department Resolution No. 37-A, dated the 15th January 1924, will have the effect of eliminating changes during an account year in the method of accounting. I suggest that the principle be accepted by the provincial Government also.

(*b*) *Page 52—Forest.*—The gross addition to the grant of Rs. 4,70,433 , not a penny of which was spent, gives *prima facie* evidence of inadequate knowledge of the progress of expenditure.

(*c*) *Pages 58-9—General Administration.*—(*i*) *Minor Head, I—Local Fund Audit, Establishment.*—The Public Accounts Committee may wish to know why a closer estimate could not be made excluding the provision for " pay of officers ".

(*ii*) *Explanation under head L*—A decrease of about Rs. 3,00,000 under " pay of officers " appears to be high.

(*d*) *Page 61—Jails and Convict Settlements—B—Jail Manufactures.*—This gives *prima facie* evidence of inadequate knowledge of progress of expenditure.

(*e*) *Page 64—Ports and Pilotage—K—Reserved at the disposal of the Finance Department.*—I suggest that the Public Accounts Committee consider whether the reserve was really necessary.

(*f*) *Pages 66-7—Education.*—(*i*) *C—Grants to non-Government Arts College.*—If the grant to the Judson College was wrongly taken to the head " Direct grants to non-Government Secondary Schools " this is a case of misclassification in accounts. If on the other hand provision was wrongly made under head " C-Grants to Non-Government Arts College " this indicates defective budgeting into which the Public Accounts Committee may wish to enquire.

(ii) *Minor Head G—Direct Grants to Non-Government Primary Schools*.—The original allotment was more accurate as compared with the actual expenditure, than the final grant. This shows that the expectations on which the modifications were based were incorrect.

(g) *Page 72—Industries and Page 73—Miscellaneous Departments—Minor heads—B and I—British Empire Exhibition*.—I note that when granting an additional grant under "Miscellaneous Departments" the Council did not withdraw the additional grant previously given under "Industries" for the same purpose. I presume that this was in pursuance of the general principle enunciated in paragraph 9 of the report and on a distinct undertaking by the Executive that the allotment under Grant '18 Industries' would not be utilised. The Public Accounts Committee might well suggest that the Executive should have passed a formal order withdrawing this allotment in such a form that it would have been entered in column 9 of Form B of the appropriation accounts.

(h) *Pages 74-5—Civil Works*.—(i) *Minor head—C—Grants-in-Aid*.—I suggest that the Public Accounts Committee ascertain whether the initial provision of funds under this head was correct, and if so, what led to the booking of expenditure under other heads.

(ii) *Minor head—E—Repairs*.—The addition by re-appropriation of Rs. 108 was unnecessary as savings amounted to Rs. 6,09,225.

(iii) *Minor head—J—Suspense*.—The explanation given suggests that there is inadequate knowledge of the progress of expenditure on the part of those responsible.

(i) *Page 76—A—Superannuation and Retired Allowance*.—The original appropriation was increased by 4,50 (*net*) thousands and there was a saving of 4,45 thousands. This points to two alternatives, either the data on which the additional grant was based were incorrect or debits were not raised by other provinces in time for incorporation in the accounts for the year under report. The Public Accounts Committee may like to consider how best to alleviate whichever defect contributed to such a large saving.

(j) *Pages 78-81—Miscellaneous—O—Miscellaneous Darbar charges*.—In this case there appears to have been inadequate knowledge of the progress of expenditure.

(k) *Page[illegible]—Civil Works*.—*Note under heads F and G*.—The P[illegible] account of[illegible] ward tracts also recorded separately.

APPENDIX TO THE REPORT

21. The appendix shows that the *percentage* of objections during the year under report was 1.8 as against 0.69 in the preceding year, *i.e.*, the amount of objections raised during the year was more than doubled, the chief defaulters being the Departments of Forest, Land Revenue and Administration of Justice. I fully endorse the opinion of the Accountant General contained in the last paragraph of the appendix that steps should be taken at an early date for the preparation and issue of the rules prescribing the powers of re-appropriation of subordinate authorities.

Enclosure XI

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF BIHAR AND ORISSA, FINANCE DEPARTMENT, No. 524-ADMN./51-25, DATED THE 30TH MARCH 1925.

SUBJECT.—*Appropriation Report on the accounts of Bihar and Orissa (Provincial subjects) for 1923-24.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under section 96 D (1) of the Government of India Act, I have the honour to

(e) *Page 42.*—

(i) *24—Administration of Justice.*—The percentage of deficiency of actual expenditure to net grant works out to two per cent. and indicates good financial control.

(ii) *Note under D—Criminal Courts.*—The fact that the excess was noticed in the revised estimate but no formal re-appropriation was made gives rise to the impression that the local Government regards as unimportant the provision of funds to meet excesses.

(f) *Page 43.*—

(i) *B—Jail manufacture.*—The savings represent over thirty *per cent.* of the actual expenditure and in view of the explanation given the necessity for the addition by re-appropriation of Rs. 17,275 would probably repay investigation by the Public Accounts Committee.

(ii) *C—Loss by Exchange.*—The provision under this head should have been reduced simultaneously with and in proportion to the reduction made in the head "D—Home Expenditure".

(g) *Page 46—A Direct grants to Non-Government Secondary schools.*—A supplementary grant of Rs. 15,000 was sanctioned, reduction by re-appropriation of Rs. 27,745 was made and there is an excess of Rs. 6,075. This indicates inadequate knowledge of the progress of expenditure.

(h) *Page 48.*—

(i) *B—Hospitals and Dispensaries.*—The Public Accounts Committee may wish to enquire when and why the reduction by re-appropriation of Rs. 20,610 was made since an excess of nearly Rs. 12,000 has resulted.

(ii) *D—Medical Colleges and Schools.*—The Public Accounts Committee may wish to ascertain whether due provision was made in the demands for the following year for this arrear contribution.

(iii) *E—Lunatic Asylum.*—In view of the ultimate saving of Rs. 25,691, the addition by re-appropriation of Rs. 17,084 appears to have been unnecessary.

(iv) *I—Revision of pay of Sub-Assistant Surgeons.—J—Post-graduate for Assistant and Sub-Assistant Surgeons.*

(k) *Training of Assistant and Sub-Assistant Surgeons, etc.*

The amounts allotted under these heads should have been re-appropriated to the heads under which the expenditure was booked.

(i) *Page 53—A—Original works Page 54—A—Original Works.*—It is difficult to understand the necessity of a supplementary grant of Rs. 10 only in each case as late in the financial year as 18th March, specially when there were large savings (*viz.*, Rs. 3,47,900 in the first case and Rs. 5,65,559 in the second case.)

(j) *Page 56—I—Purchase of Stationery Stores (Transferred).*—The Public Accounts Committee may wish to know why no re-appropriation was made to meet this large excess. Re-appropriation was made to meet the corresponding expenditure under "Reserved" (*vide* minor head B on this page).

(k) *Page 57—A—Cost of Books and Periodicals.*—The excess appears to be directly attributable to the transfer of Rs. 5,000 to the head "F—Home Expenditure" where it was not apparently required. This would seem to indicate inadequate knowledge of the progress of expenditure.

(*l*) *Page 68.*—

(i) *F—Civil Secretariat* —The expenditure is less than the original grant and in view of the saving of Rs. 51,228 the addition by re-appropriation of Rs. 43,865 does not appear to have been justified

(ii) *I—Commissioners; Explanation* —This seems to indicate defective budgeting.

(*m*) *Page 77—41—Civil Works—B—Loss by Exchange and C—Home Expenditure.*—In view of what is stated in paragraph 13 of the report it is not clear why the necessary re-appropriation from the voted head was not made

(*n*) *Page 78—Explanation under 45—Superannuation Allowances and Pensions.*—I endorse the Accountant General's opinion that re-appropriations sanctioned by the local Government were mostly unnecessary

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Enclosure XII.

FROM SIR FREDERICK GAUNTLETT, K B E , C I E , I C S , AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF CENTRAL PROVINCES, FINANCE DEPARTMENT, No. T -55/52-ADMN -25, DATED THE 20TH APRIL 1925.

SUBJECT :—*Appropriation Report on the accounts of the Government of the Central Provinces for 1923-24.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Government of the Central Provinces for the year 1923-24, prepared by the Accountant General, Central Provinces, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No 872 Admn -734-21, dated the 15th May 1922, as amended by my letter No 2201-Admn -734-21, dated the 21st December 1922. I also transmit herewith two copies of the separate appendix to the report for action by the Government of the Central Provinces, with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This separate appendix does not concern the Public Accounts Committee.

Two copies of the accounts of the receipts and disbursements of the Secretary of State and High Commissioner for India on account of the Government of the Central Provinces for the year 1923-24 together with two copies of the reports thereon prepared by the Auditor, India Office, are also forwarded herewith. The special attention of the Local Government is invited to the reports of the Auditor, India Office.

2. I offer the following comments on the report of the Accountant General, Central Provinces.

3 *Provincial Finance* —The position of the finances of the provincial Government appears to be satisfactory A deficit of 14,31 thousands was anticipated in the budget estimates of the revenue transactions of the year under review, but the increase in revenue realised and the decrease in actual expenditure had the effect of converting this anticipated deficit into a surplus of 22,69 thousands (*vide* paragraph 3 of the Report). The transactions of the three years commencing from 1st April 1921 have increased the ordinary Provincial balance by 24,58 thousands in addition to the accumulation of 75,93 thousands in the ~~Finance~~ Famine Insurance Fund (*vide* paragraph 7 of the Report).

4. *Page 8—paragraph 10.*—I may state in this connection for the information of the Public Accounts Committee that the term "non-productive irrigation work" denotes an irrigation work, the revenue derived from which is not expected to repay the annual interest on the capital invested, calculated at six per cent per annum.

5. *Page 9, paragraphs 11 to 13.*—The view expressed in paragraph 12 of the report represents the correct intention of the existing rules.

6. *Appropriation Accounts, Page 20—paragraph 1.*—I shall watch with special interest the effect of the orders issued by the local Government, which will first become apparent in the appropriation accounts for the year 1924-25.

7. *Page 20—paragraph 2—items (2), (4) and (5) of the statement.*—These cases show that re-appropriations were sanctioned between grants. I may state in this connection that when the question of sanctioning re-appropriations between grants came up for consideration before the Central Public Accounts Committee, the Honourable the Finance Member of the Government of India explained that no re-appropriations should be proposed in placing the supplementary grants before the Legislative Assembly, as a saving under one head is by itself no justification for an excess under another, and as from the point of view of parliamentary control of expenditure, it is undesirable to encourage underspending under one head with a view to overspending under another. If re-appropriations from one demand to another were treated as a matter of course, there would be a great temptation to keep a margin of possible savings under some heads when preparing the budget. Moreover, actual reduction of expenditure can follow only if the saving is foreseen long before and the reduction in the grant communicated to disbursing officers early enough, which is, in most cases, impracticable, as the total saving which may be foreseen has to be distributed under different subheads and communicated to various disbursing officers. He, therefore, suggested that the Assembly should not be asked to sanction a reduction in any grant already made but that when a supplementary grant is asked for, the Assembly should be informed what savings are likely to occur under other heads. Most of the advantages of an actual reduction of a grant (*viz.*, checking expenditure under a particular head) can be obtained by the issue of orders to a department to underspend its grant to a certain extent. Thus, when during the course of the year, it becomes apparent that unexpected savings can be anticipated under a particular head, the Finance Department should fix a lower maximum to the spending department, any excess over which should be dealt with by departmental action, if no sufficient explanation is forthcoming. This is the course followed in England and the Central Public Accounts Committee and the Government of India have agreed that this procedure should be followed in future. It would appear from paragraph 8 of Appendix A on page 103 of the Report that the second half of the proposal indicated above, namely to curtail expenditure by the issue of orders to a Department to underspend its grant, is to be followed by the local Government in future and it therefore seems simple for the local Government to accept the first half of the proposal.

8. *Page 21—paragraph 4.*—In connection with this question I quote below the recommendations of the Central Public Accounts Committee contained in paragraphs 24 to 26 of their report on the Accounts of 1922-23, Volume I:—

"In connection with another point which was raised in last year's report by the Public Accounts Committee, *viz.*, the necessity for separate grants for expenditure in England, we have gone carefully into the question of the preparation of the Demands as a whole with Mr. McWatters, whose assistance and counsel we gratefully acknowledge. We entirely agree with him that in considering the form in which the Demands should be presented, it is desirable to start with the general principle that there should ordinarily be one controlling officer for a grant. Applying this principle to the demands for territorial areas, like Baluchistan, it is easy to see what heads should be excluded from the grant in respect of each area. All expenditure incurred in these areas under the control of outside authorities, *e.g.*, the Central Board of Revenue (Customs, Taxes on Income, Salt, Opium, Stamps), the Controller of the Currency

(Currency), the Controller of Printing (Stationery and Printing) should be shown under the respective grants for those heads. Similarly such heads as interest, where also the head of the administration cannot exercise any control should be left out, and the demand for each territorial area should include only items of strictly local interest corresponding, in some measure, to provincial items of expenditure in the case of Governors' Provinces. Such would be General Administration, Forest, Education, Police, Medical and the like

"The above arrangement has this drawback that it will not enable the total cost of the administration to be included in one demand We consider however that all that is necessary is that it should be possible to find out the total expenditure on any territorial account from the Book of Demands for grants at a glance This object can be easily achieved by adopting the expedient suggested by Mr. McWatters of showing as a foot-note to the demand the expenditure incurred in that area on each of the several heads which are shown elsewhere together with a comparison of the previous year's figures

"Similar arrangements can be made in the grants for 'Expenditure in England ' We agree that it would not be practicable to abolish these grants altogether, and incorporate the various items included in them under the corresponding Indian grants Moreover, we consider it desirable at present to retain a system which effectually prevents transfer of funds from Expenditure in India to Expenditure in England and *vice versa*. Again, we recognise that it is essential for administrative purposes that the funds placed at the High Commissioner's disposal for sundry purposes, should not be, as it were kept in watertight compartments as would be the effect if they were in separate grants In a very real sense, the expenditure is under his control and he should have like other authorities powers of reappropriation *within reasonable limits* It is desirable however that large items like the expenditure on Currency Stores should not be retained in this demand which should so far as we can see include only expenditure on minor stores, leave salaries, and such items of purely English origin as expenditure incurred on Establishments in England "

I would also refer the local Government to paragraph 7 of the speech of the Finance Member introducing the Budget (of the Central Government) for 1925-26, published in the *Gazette of India, Extraordinary*, dated February 28th, 1925

9. *Page 22, paragraph 9* —The Public Accounts Committee will no doubt take necessary action as indicated by the Accountant General to bring the excess under the head "8-Forest—Conservancy and Works purchase of cattle to the notice of the Legislative Council

10. I also offer the following detailed comments on the appropriation accounts :—

(a) *Page 31—Forest—Minor heads (4) and (5)* —The provision of Rs 323 under the minor head, "Loss by Exchange—Stores" and of Rs. 295 under the minor head, "Expenditure in England—Stores" was made by re-appropriation As the expenditure on account of loss by exchange is always less than the expenditure in England converted into Indian Currency at the rate of £1=Rs 10, this indicates defective re-appropriation The example seems trivial but is noticed as similar defects in regard to provision of funds under these two heads either by an original grant or by reappropriation have been found in other provinces also.

(b) *Page 35—Minor head (3).*—An addition of Rs. 5,275 was made by re-appropriation and the ultimate savings amount to Rs. 28,092. This gives *prima facie* evidence of inadequate knowledge of the progress of expenditure.

(c) *Page 42—Jails. Note under minor head (1), (c) and (h).*—The Public Accounts Committee may wish to ascertain why grain compensation allowance was paid at the old rates to the warder establishment when provision for it was made in the budget estimates at reduced rates.

(d) *Page 46—Minor heads (6), (12), (13), (14) and (17).*—Additions by re-appropriations were made but ultimate savings amounted to more than the additions made. This gives *prima facie* evidence of inadequate knowledge of the progress of expenditure.

(e) *Page 48—Notes under minor heads (15) and (17).*—I suggest that the Public Accounts Committee should ascertain why the necessary reappropriation of Rs. 43,448 between these heads could not be made so that the provision for expenditure connected with the establishment transferred to District Councils should accord with the classification of the charge.

(f) *Page 49—Medical, minor heads (1), (4) and (5).*—The addition by re-appropriation in these cases would appear to have been unnecessary in view of the savings which accrued.

(g) *Pages 57 and 58—41—Civil Works—Transferred* :—

(A) The deduction for probable savings proved to be excessive.

(B) *Notes under minor heads (1), (2), (4) and (7)* :—

(i) The Public Accounts Committee may wish to ascertain whether in future provision for works to be undertaken by District Councils will be made directly under head (7) and not in the first place under heads (1), (2) and (4) and then transferred to head (7).

(ii) Disregarding these re-appropriations it will be seen that additions of Rs. 28,500 and Rs. 43,000 were voted by the Council under heads (1) and (2) in August 1923, and then reductions of Rs. 37,048 and Rs. 39,218 respectively were made by re-appropriation under those heads. In the end there was a saving of Rs. 78,541 under head (1), which leads one to infer that the application for an addition in August 1923 was unnecessary. There was an excess of Rs. 2,08,049 under head (2) which indicates that the reduction of Rs. 39,218 by reappropriation was not justified.

(iii) It will be seen that while the excess of Rs. 2,08,049 under head (2) was due mainly to a transfer of Rs. 1,29,012 to head (7), that transfer was unnecessary because there was in the end a saving of Rs. 1,71,108 under that head. That saving is explained as being due to the issue of certain orders by Government. The Public Accounts Committee may, therefore, wish to know firstly, when those orders were issued, secondly when Rs. 1,29,012 was transferred from head (2) to head (7) and lastly why the effect of the orders was not foreseen and provided for.

(C) *Head (5)* :—

(i) A recovery of Rs. 27,582 from other governments, etc., on account of establishment charges as against an estimate of Rs. 1,17,768 seems to require explanation, Was the original estimate defective or was there delay in recovery of dues?

(ii) Why could not the excess of Rs. 1,34,907 have been met by re-appropriation?

No. 700-Admn./270-26.

OFFICE OF THE AUDITOR GENERAL IN INDIA

FROM

SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
AUDITOR GENERAL IN INDIA,

TO

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE DEPARTMENT.

Dated Delhi, the [illegible]

SUBJECT:—*Appropriation reports for the year [illegible]*

SIR,

I have the honour to forward herewith, for transmission to the Secretary of State through the Governor General in Council, two copies of each of the appropriation reports, prepared by the respective [illegible] on the accounts for 1924-25 of the various Governments in British India as detailed in the accompanying schedule, together with two copies of each of my letters to the Government of India and to local Governments [illegible] ing my comments on those reports. I also offer, for [illegible] the Secretary of State, the following further comments of a [illegible] nature:—

I.—Changes in the form of the report.

2. In paragraph 3 of my letter forwarding the appropriation [illegible] for 1923-24, I mentioned that a report on the question of [illegible] of the Indian appropriation reports on the lines of the [illegible] the Comptroller and Auditor General in England had been [illegible] *Government of India for consideration. The changes* [illegible] in this report have been accepted by the Central Public Accounts Committee and the Government of India, and the appropriation [illegible] Central Government (Civil transactions) for the year 1924-25 have been prepared accordingly. The principal changes which have [illegible] in the forms of these accounts are briefly enumerated below:—

(1) The detailed accounts of each Central civil [illegible] account (India, Madras, Bombay, etc.) [illegible] appropriation reports have been [illegible] now a single appropriation account [illegible] the grant and the expenditure [illegible] ing areas and circles.)

(2) The accounts of voted and non-voted [illegible] shown separately. A [illegible] for each grant, the voted and non-voted [illegible] each head of service being shown [illegible] juxtaposition.

(3) The appropriation account c ure with
the grant, original as w nctioned
by the authority concern r voted
charges and the Finance charges)
and not, as in the past, v nded by
the orders of re-appropri horities.

(4) Cases of serious financial irr rto been
mentioned in the separate luded in
the reports of the approp spective
grants, with the audit off In this
connection I invite atten y letter
No. 564-Admn./63-26, d warding
the audit reports for 1924-25.

3. The question of introducing similar changes in the audit and appropriation reports of provincial Governments is now under their consideration. Some of these changes have been accepted by the Governments of Bengal and the United Provinces and the reports for those provinces have been prepared partially on the new lines.

4. Hitherto the report on the accounts of Coorg has been incorporated in the appropriation report on the Central Civil transactions. A reformed constitution having been introduced in Coorg with effect from 1924-25, a separate appropriation report on the accounts of that province for that year has been prepared.

II.—Central Finance.

5. This year also I do not propose to attempt a review of the financial position of the Government of India.

III.—Provincial Finance.

(*Note*.—The figures without the " Rs. " symbol before them in all subsequent paragraphs are in thousands of rupees.)

6. *Comparison of the revenue and expenditure accounts of the provincial Governments.*—The following table prepared from the Finance and Revenue Accounts compares the revenue and expenditure accounts of the several provincial Governments during 1923-24 and 1924-25. The figures do not agree in all cases with those given in the appropriation reports, as all provincial Accountants General did not follow the same method in exhibiting these figures in their reports :—

Provincial Government.	Revenue.		Expenditure.		Surplus + Deficit −			Improvement + and Worseness — in 1924-25 as compared with 1923-24.	Total Surplus+ Deficit— for four years (1921-22 to 1924-25).
	1923-24.	1924-25.	1923-24.	1924-25.	1921-22 and 1922-23.	1923-24.	1924-25.		
1	2	3	4	5	6	7	8	9	10
Madras	12,99,38	12,79,03	12,63,07	13,08,50	—1,01,74	+36,31	—29,47	—65,78	−91,90
Bombay	14,52,82	14,99,18	14,23,45	14,72,57	—1,27,17	+29,37	+26,61	—2,76	—71,19
Bengal	10,13,17	10,34,24	9,77,95	9,76,02	—1,89,72	+35,22	+58,22	+23,00	—96,28
United Provinces.	10,31,14	9,99,53	10,47,50	10,42,49	—2,12,80	−16,36	—42,96	−26,60	—2,72,12
Punjab	9,15,83	9,77,72	8,04,01	7,94,74	—2,28,97	+1,11,82	+1,82,98	+71,16	+65,83
Burma	8,58,18	9,85,76	8,85,08	9,86,73	—1,42,32	—26,90	—97	+25,93	—1,70,19
Shan States Federation.	58,28	45,32	39,44	44,92	+6,93(*a*)	+18,84	+40	—18,44	+26,17
Bihar and Orissa.	5,28,29	5,36,53	4,84,34	5,13,12	+15,52	+43,95	+23,41	—20,54	+82,88
Central Provinces and Berar.	5,17,12	5,25,34	4,94,42	4,88,26	+2,24	+22,70	+37,08	+14,38	+62,02
Assam	2,10,88	2,30,49	1,90,02	2,00,29	—44,72	+20,86	+30,20	+9,34	+6,34
Coorg	...	15,04	...	13,06	...	...	+1,98	+1,98	+1,98
TOTAL	78,85,09	81,28,18	76,09,28	78,40,70	—10,22,75	+2,75,81	+2,87,48	+11,67	—4,59,46

(*a*) 1922-23 only.

The figures in the columns under " Revenue " in the above table represent the net revenue of the provincial Governments, after payment of the contributions due to the Central Government under Rule 18 of the Devolution Rules and completion of miscellaneous adjustments between the central and provincial Governments The total of the contributions should amount to 9,83 lakhs, but in the year under review the actual figure was 9,20 lakhs, as in the previous year The figures in the columns under " Expenditure " include the balances transferred to the Famine Insurance Fund under Schedule IV of the Devolution Rules

Column 8 of the table shows that during the year under review there were deficits in the case of Madras, the United Provinces and Burma only, and column 9 indicates that except in the case of the Governments of Madras, Bombay, the United Provinces, the Shan States and Bihar and Orissa, the financial position of all provincial Governments has improved, the improvement being very marked in the case of Government of the Punjab.

Column 10 of the statement shows that the revenue deficits for the four years 1921-22 to 1924-25 combined were highest in the case of the Governments of the United Provinces and Burma in that order

7. *Borrowings of the provincial Governments during 1924-25* —Funds were borrowed by the provincial Governments in 1924-25 mostly in order to meet capital expenditure on irrigation and forest works, industrial development and permanent works of public utility and to finance the transactions on account of provincial loans and advances. The loans were taken from the Central Government, which advanced the following amounts :—

To Madras	1,30,00
To Bombay ...	7,04,68
To United Provinces	1,48,81
To Bihar and Orissa ..	5,00
To Central Provinces	26 50

8. *Discharge by the provincial Governments of loans taken from the central Government.*—The statement below shows the repayments by provincial Governments of advances outstanding against them on the provincial loan account under Devolution Rule 23 —

Madras	9,50
Bombay	29,00
United Provinces	25,00
Bihar and Orissa	5,21
Central Provinces	22,38

In addition to the above, the following amounts were repaid by local Governments in discharge of the outstanding balances of advances taken under Devolution Rule 25 :—

Madras	12,01
Bombay	67
Bengal	4,63
Punjab	126
Central Provinces	6,05
Assam ..	12,67

(3) The appropriation account c ... ure with the grant, original as w ... nctioned by the authority concerne ... r voted charges and the Finance ... charges) and not, as in the past, ... nded by the orders of re-appropri ... horities.

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Bengal	10,13,17	10,34,24	9,77,95	9,76,02	—1,89,72	+35,22	+58,22	+23,00	—96,28
United Provinces.	10,31,14	9,99,53	10,47,50	10,42,49	—2,12,80	—16,36	—42,96	—26,60	—2,72,12
Punjab	9,15,83	9,77,72	8,04,01	7,94,74	—2,28,97	+1,11,82	+1,82,98	+71,16	+65,83
Burma	8,58,18	9,85,76	8,85,08	9,86,73	—1,42,32	—26,90	—97	+25,93	—1,70,19
Shan States Federation.	58,28	45,32	39,44	44,92	+6,93(a)	+18,84	+40	—18,44	+26,17
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Central Provinces and Berar.	5,17,12	5,25,34	4,94,42	4,88,26	+2,24	+22,70	+37,08	+14,38	+62,02
Assam	2,10,88	2,30,49	1,90,02	2,00,29	—44,72	+20,86	+30,20	+9,34	+6,34
Coorg	...	15,04	...	13,06	...	...	+1,98	+1,98	+1,98
TOTAL	78,85,09	81,28,18	76,09,28	78,40,70	—10,22,75	+2,75,81	+2,87,48	+11,67	—4,59,46

(a) 1922-23 only.

The figures in the columns under "Revenue" in the above table represent the net revenue of the provincial Governments, after payment of the contributions due to the Central Government under Rule 18 of the Devolution Rules and completion of miscellaneous adjustments between the central and provincial Governments The total of the contributions should amount to 9,83 lakhs, but in the year under review the actual figure was 9,20 lakhs, as in the previous year The figures in the columns under "Expenditure" include the balances transferred to the Famine Insurance Fund under Schedule IV of the Devolution Rules.

Column 8 of the table shows that during the year under review there were deficits in the case of Madras, the United Provinces and Burma only, and column 9 indicates that except in the case of the Governments of Madras, Bombay, the United Provinces, the Shan States and Bihar and Orissa, the financial position of all provincial Governments has improved, the improvement being very marked in the case of Government of the Punjab.

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Bombay	29,00
United Provinces	25,00
Bihar and Orissa	5,21
Central Provinces	22,38

In addition to the above, the following amounts were repaid by local Governments in discharge of the outstanding balances of advances taken under Devolution Rule 25 :—

Madras	12,01
Bombay	67
Bengal	4,63
Punjab	126
Central Provinces	6,05
Assam	12,67

9. *Provincial balances.*—The drafts on provincial balances during the year under review are set out in the following statement :—

Government.	Opening balances.	Closing balances.	Drafts on balances
Madras	12,52	30,56	—18,04
Bombay	5,82,40	6,68,17	– 85,77
Bengal	1,29,64	1,93,91	—64,27
United Provinces	1,44,50	75,13	+ 69,37
Punjab	72,16	1,41,23	—69,07
Burma	3,01,00	2,79,47	+ 21,53
Shan States Federation	25,72	26,13	—41
Bihar and Orissa	1,75,93	2,02,18	—26,25
Central Provinces	1,72,44	2,44,75	—72,31
Assam	23,28	44,03	—20,75
Coorg	...	1,98	—1,98

In determining the true financial position of the provinces, the following facts must be taken into consideration.

The closing balances include the balances of the Famine Insurance Fund on the 31st March 1925 as noted below :—

Madras	14,26
Bombay	1,44,33
Bengal	8,32
United Provinces	49,17
Punjab	10,58
Burma	1,40
Bihar and Orissa	40,85
Central Provinces	1,13,62
Assam	43

The closing balances in Madras, Bombay, the United Provinces and the Central Provinces include the unexpended portion of the advances obtained from the Government of India, amounting to 16,13, 94,16, 31,45 and 10,25 respectively.

In the United Provinces and Burma, the closing balances include the unspent balances of the United Provinces Development Loan, and the Rice Control Profits fund, which amount to 1,65,18 and 3,02,63 respectively.

In Madras therefore, and particularly in the United Provinces and Burma, the position is by no means as satisfactory as would appear from a mere scrutiny of the statement.

10. *Financial condition of the province.*—The financial situation of the different provincial Governments has been dealt with in detail in the reports prepared by the various Accountants General and in my letters forwarding these reports to the Governments concerned, I have added my comments where necessary. I shall therefore make here only a few remarks of a general nature in regard to the position in each province.

11. *Remission of provincial contributions*.—While the measure has no immediate bearing on the financial position of the provinces at the end of the year under review, it is essential, in anticipating future developments, to bear in mind the remissions of provincial contributions which have been made in the years 1925-26 and 1926-27. The actual amounts remitted by the Governor General in Council under rule 18 of the Devolution Rules in 1925-26 and 1926-27 are as follows.—

	1925-26	1926-27.
	Rs	Rs.
Madras	1,26,02,000	1,82,81,000
Bombay	22,00,000	...
Bengal .	63,00,000	63,00,000
United Provinces	56,17,000	89,15,000
Punjab ...	61,16,000	89,27,000
Burma ..	19,65,000	13,77,000
Central Provinces	9,00,000	
Assam .	6,00,000	
	3,63,00,000	4,38,00,000

MADRAS

12 There was a set back in the year under review in the steady improvement in the revenue position of the Government of Madras since the first year of the Reforms. In the year 1921-22, the province closed with a big deficit of 98,72, in 1922-23 this deficit was reduced to 3,02, partly by the measures that were taken by the local Government for the augmentation of its revenues and for retrenchment in expenditure, in 1923-24 there was a surplus of 36,31, but in 1924-25 there was again a deficit of 29,47 The unfavourable result in 1924-25 as compared with 1923-24 was due mainly to decline in net Irrigation revenues to the extent of 13,60 owing chiefly to higher working expenses, to the decision of the local Government to pay out of revenue a sum of 21,51 representing repayment of loans to the Government of India and to an outlay of 22,92 necessitated by floods and cyclone damages Paragraph 39 of the Madras report shows that the commitments of the local Government in respect of public roads, buildings, irrigation and other projects are very heavy and that there are proposals for the expansion of elementary education in the Presidency and the extension of medical relief in rural areas involving large expenditure There is also the obligatory expenditure in respect of floods and cyclone damages as well as the normal increasing needs of the administration, while the possibilities of immediate development of revenue are not great The position has been somewhat eased by the remission of 1,26 lakhs of the provincial contribution in 1925-26 and by a further remission of 57 lakhs in 1926-27 But it is clear that expenditure on new schemes will have to be kept within the relief thus afforded if a deficit is to be avoided in future.

BOMBAY

13. From 1922-23 Bombay has shown a yearly decreasing surplus In 1922-23 the surplus was 64,03, in 1923-24 it came down to 29 37 and in 1924-25 to 26,61. The transactions for 1924-25 included however, a special receipt of 36,50 from the central Government on account of expenditure on Indian States incurred by the provincial Government since the inauguration of the Reforms but for which there would have been a deficit in that year on the ordinary provincial transactions The Revised Estimates for 1925-26 also show that in spite of a reduction of the provincial contribution in that year by 22 lakhs, expenditure was in excess of revenue to the extent of over one crore. In 1925-26, therefore, the province lived very largely on its balances The local Government has since decided to meet certain items of civil works expenditure from revenue instead of from loan funds as in previous years which will impose an extra burden on revenue of about 25 lakhs

a year and has made proposals for the amortisation of its borrowings from the Government of India on accounts other than the Lloyd Barrage and the Bombay Development Schemes, proposals in respect of which are to follow. The future programme relating to the Reclamation Scheme is now under consideration, but it is reported that the outlay on the Industrial Housing Scheme and the Suburban Development Scheme is not likely to pay. In that case the local Government will no doubt consider whether arrangements should not be made for amortising all loans obtained by the Bombay Development Department for expenditure on these schemes. Interest charges also are going up every year with the annual additions to the borrowings of the provincial Government. The report for 1924-25 therefore indicates that the financial position of the province in the near future is likely to be serious.

BENGAL.

14. The relief from the liability to payment of the provincial contribution specially afforded to Bengal, the steps taken by the local Government in 1922-23 for the augmentation of its resource by the enhancement of the Stamp duties and by the imposition of an Amusement Tax, the development of excise revenue by more efficient administration and the curtailment of expenditure by the exercise of rigid economy in all Departments have enabled this province to close with an annually increasing surplus from 1922-23. The revenue account for 1924-25 showed a surplus of 58,22, while the corresponding figures for 1923-24 and 1922-23 were 35,22 and 25,75 respectively. Although the anticipations from the new taxation imposed in 1922-23 were not fully realised, the addition to revenue from this source has been substantial. The revenue from stamps has shown a steady increase from 2,73,85 in 1921-22 to 3,36,68 in 1924-25, and the Amusement Tax has brought in 25,12, 23,73 and 21,52 in the three years 1922-23, 1923-24, and 1924-25 respectively. It is worthy of note, however, that the revenue from this tax has shown a steady decline. No large commitment of a permanent nature was made by the Government of Bengal during the year under review.

UNITED PROVINCES.

15. Since the inauguration of the Reforms, the revenue account of the United Provinces has shown a deficit every year. In 1921-22 the deficit was 1,47,87. In the two succeeding years the position was better, the deficits having amounted to 64,93 and 16,36 respectively. In 1924-25, however, the improvement in the preceding year was not maintained and there was a deficit of 42,96. As stated in paragraph 14 of my letter forwarding the appropriation reports for 1923-24 the local Government has been at great pains to find ways and means of balancing the budget but its efforts have not hitherto been successful. In January and February 1924 His Excellency the Governor decided under rule 9 of schedule IV of the Devolution Rules that certain expenditure regarding Protective Irrigation works and the Sarda Canal projects and also interest payable on the capital outlay in respect of some productive canals should be met from the Famine Insurance Fund. This decision, the propriety of which is discussed in paragraph 28 below, was given effect to in the budget for 1924-25 in which a revenue surplus of 23,44 was provided. But the floods of September 1924 not only reduced the collection of Land Revenue by 21 lakhs but necessitated increased expenditure on civil works and on Famine Relief by 7 and 5 lakhs respectively, while Excise revenue fell off by 15 lakhs and favourable rains reduced Irrigation receipts by 21 lakhs. Loan funds had therefore again to be utilised as in previous years in meeting the provincial deficit. In 1925-26 the provincial contribution was reduced by 56 lakhs and there was a further remission of 33 lakhs in 1926-27. The relief afforded by these remissions should in the near future alleviate the financial position which otherwise would be serious. The commitments of the local Government in respect of public works stood at about 57 lakhs at the end of the year under review and the estimated cost of the sanctioned schemes of roads and police buildings taken together is about two crores.

PUNJAB.

16 The revenue account of the Government of the Punjab in the year under review showed a surplus of 1,82,98 which was larger than that of the preceding year by 71,16. As in the preceding year the revenue of the year under review was enhanced by certain abnormal receipts, but as the amount of these abnormal receipts was smaller by 28 lakhs, the revenue surplus of 1924-25 was really better than that of 1923-24 by 99 lakhs Taking the figures as they stand, there was an improvement of 61,89 in revenue and a decrease of 9,27 in expenditure The improvement in revenue accrued mainly under Excise (14,77), Stamps (20,71) and Irrigation (38,58) partly counterbalanced by a decrease under Land Revenue (10,71) and under Forest (6,59). On the expenditure side the chief variations were a decrease of 14,35 under Civil Works and an increase of 5,87 under Education A review of the revenue and expenditure figures for 1922-23 onwards shows also that, while expenditure has gone down year after year, revenue has gone on increasing. The causes which have operated to produce this satisfactory result are detailed in paragraph 14 of the Accountant General's report

The financial position has been further improved since 1924-25 by the remission of the provincial contribution to the extent of 61 lakhs in 1925-26 and of 89 lakhs in 1926-27. On the reduction granted in 1925-26 the local Government decided to reduce certain items of taxation

BURMA

17. The report on the appropriation accounts for 1924-25 shows that the financial position of the Government of Burma at the end of that year was still serious. The transactions of the year showed an excess of expenditure over receipts to the extent of 97 increasing the aggregate deficit in the three years 1921-22 to 1923-24 from 1,69,22 to 1,70,19 As in the previous year, the local Government utilised the Rice Control Profits to finance ordinary revenue expenditure. The closing balance of the Rice Control Profits on 31st March 1925 was 3,02,63, whereas the closing balance on the same date of the Government account in which they are included was 2,77,47 Thus, if the balance of the Rice Control Profits were excluded, the Government account would show a deficit balance of 23,16. In paragraph 16 of my letter forwarding the reports on the appropriation accounts for 1923-24, I made a special reference to this question and paragraph 26 of the Accountant General's report for 1924-25 shows that the local Government have asked for definite instructions from Secretary of State regarding the several points raised by me In this connection, I invite attention to my comments in paragraph 11 and in the first two sub-paragraphs in paragraph 12 of my letter forwarding to the local Government the appropriation report on the accounts for 1924-25 (Enclosure X).

SHAN STATES FEDERATION.

18. As was the case last year, the accounts of the Burma Government proper and those of the Shan States Federation have been shown separately in the statements given in paragraphs 6 and 9 of the letter I have no comments to offer on the accounts of the Federation.

BIHAR AND ORISSA

19. The revenue account of the Government of Bihar and Orissa in the year under review showed a surplus of 23,41 This surplus was less than that obtained in the preceding year by 20,51, the growth in revenue not having kept pace with the growth of expenditure It is noticeable that the Excise revenue in 1924-25 was 7¼ lakhs less than in 1923-24 The amount of Public Works expenditure to which the local Government stood committed at the close of the year was 16,58.

CENTRAL PROVINCES.

20. Compared with 1923-24, there was a satisfactory improvement in the revenue position of the Government of the Central Provinces in 1924-25. Revenue was better by 8,22 and expenditure was less by 6,16. Excluding the variations on account of the Famine Insurance Fund there was also a net increase of 30,96 in the provincial balance after making payment of a sum of 17,76 to the central Government towards repayment of the outstanding balance of the Provincial Loan account in addition to the fixed annual amount of 4,62. A similar additional payment of 17,20 has been made by the local Government in 1925-26. The provincial contribution for the latter year has also been reduced by 9 lakhs. The commitments of the local Government at the end of the year under review in respect of civil works expenditure stood at 18,48.

ASSAM.

21. The revenue and expenditure of the Government of Assam increased during the year under report by 19,61 and 10,27 respectively, thus raising the surplus earned in the preceding year by 9,34. There was a general improvement in receipts, the most noticeable being one of 5,46 under Excise and one of 5,05 under Forests. Expenditure was more principally under Police (3,37) and Superannuation Allowances and Pensions (3,72). The favourable financial position enabled the local Government to repay in full during the year under review the loan of 12,67 taken from the central Government in 1922-23 and yet to close the year with a larger balance than at the commencement. In 1925-26 the province has received a remission of the provincial contribution to the extent of 6 lakhs which will further improve the position.

COORG.

22. The accounts of the Government of Coorg have been separated for the first time from those of the Government of India in the year under report. The province was not provided with any opening balance and the net result of the transactions of the year was a surplus of 1,98.

IV.—Appropriation Accounts.

23. *Method of splitting up voted expenditure into grants.*—In paragraphs 26 and 27 of my letter forwarding the appropriation reports for 1922-23, I gave a brief outline of the manner in which the several Demands for voted expenditure were drawn up for submission to the various Legislative bodies in India. The following changes in the structure of the Demands have been since introduced by the Governments of Madras and Burma :—

(i) In Madras, Survey and Settlement charges were separated off from the Land Revenue Demand and constituted into a new Demand with effect from 1924-25. The number of the Demands for General Administration was raised with effect from that year from three to four to provide a separate Transferred Demand for pay of Ministers. From 1925-26 the scope of this Transferred Demand was enlarged by the inclusion in it of the cost of the Local Self-Government Secretariat. It was decided further with effect from the 1st April 1924, that the Reserved items forming part of the Demand for Agency grants should be included amongst the other various Reserved Demands, leaving under the Agency Demand only the definitely Transferred items.

(ii) In Burma, the principle of grouping several major heads of account into one grant hitherto followed in the case of the Railway and Irrigation Demands was carried a little further in 1924-25. Seven major heads, for each of which there was originally a separate Demand, were constituted into three

Demands. At the same time separate Demands were constituted for charges met from ordinary revenues and for those met out of Rice Control Profits as also for expenditure incurred in the Reserved and in the Transferred Departments. Each major head or group of major heads which formed a separate vote was thus classified under one or other of the following divisions, *viz.*, (1) Ordinary Revenues (Reserved), (2) Ordinary Revenues (Transferred), (3) Rice Control Profits (Reserved), and (4) Rice Control Profits (Transferred) The principal of grouping a number of major heads into one Demand was still further extended in 1925-26 in which year the total number of Demands for grants was reduced to four only, *viz*, (1) a Demand for the Finance and Revenue Department (Reserved), (2) a Demand for the Home and Political Department (Reserved), (3) a Demand for the Department of Agriculture, Excise and Forests (Transferred), and (4) a Demand for the Department of Education, Local Government and Public Health (Transferred), each of these grants containing several major heads

24. The reduction made by the Government of Burma in the number of the Demands by the grouping of several major heads of account into one is inconsistent with the principles underlying the reformed constitution One of the strongest instruments of control given to the Legislature is that no grant can be exceeded without the consent of the Legislature The diminution in the number of grants must lessen the power of this control It gives scope for transfers between different major heads within a grant of sums voted for radically different purposes Thus the major heads Land Revenue, General Administration, and Administration of Justice form one grant, and under this grouping it is possible for the Government of Burma to utilise savings on money voted for the High Court to meet additional expenditure in the local Government's own Secretariat The principle of including several major heads in one grant is followed largely also by the Government of Bombay. In this Presidency, the major heads Scientific Departments, Education, Medical, Public Health and Industries form one grant, allowing the local Government to make re-appropriations between the money voted for Education and that voted for Medical I mention these two cases of possible transfers in Bombay and Burma merely by way of illustration In my letters forwarding the appropriation reports for 1924-25 to the local Government (Enclosures VI and X) I have therefore drawn the attention of the Governments of Bombay and Burma to the undesirability of the procedure followed by them and have also suggested for the consideration of the Public Accounts Committee Burma, whether that Committee should not recommend the local Legislature to request an increase in the number of grants The recognition of separate grants for expenditure from Rice Control Profits is probably a temporary measure only

25. The procedure of presenting one Demand for both Reserved and Transferred expenditure recorded in the same major head of account referred to in paragraph 24 of my letter forwarding the appropriation reports for 1923 24 continued in the year under review, in Bombay, Bengal, the United Provinces, Bihar and Orissa and Assam The procedure has been changed in Bombay with effect from 1925-26 in accordance with the decision arrived at by the local Government mentioned in the paragraph quoted above

26 In paragraph 27 of their report on the accounts of 1921-22 the Central Public Accounts Committee recommended that in cases in which grants included deductions for recoveries, excesses over both gross and net grants should be reported to the Legislature for sanction Thereupon I instructed the Accountants General to conduct appropriation audit in respect of central expenditure with reference to both gross and net grants, and so far as provincial expenditure was concerned I asked them to suggest to the local Government the desirability of the issue of similar orders. The appropriation reports for 1924-25 show that the Governments of the United Provinces, the Punjab and Burma have decided to place before the Legislature

both gross and net grants. The Government of Assam however have declared that net grants only come under the control of the Legislature. The question whether grants sanctioned by the Legislature should be for gross or for net expenditure, in cases where recoveries occur which might be taken in reduction of expenditure, has been under the consideration of the Government of India for some time and orders are expected shortly.

27. *Utilisation of Famine Insurance Grant.*—The following statement exhibits for each province the transactions of the Famine Insurance Grant and Fund since their inception in 1921-22, the accrued balance in the Fund at the end of the year under review and the percentage of such balance on the aggregate annual assignments :—

Provinces.	Annual assignments (aggregate for the years 1921-22 to 1924-25).	Expenditure from the Famine Insurance Grant (totals for the years 1921-22 to 1924-25). On Irrigation.	On Debt Services.	On Famine Relief.	Balance of the Grant transferred to Famine Insurance Fund up to 31st March 1925.	Additions to Famine Insurance Fund during the years 1921-22 to 1924-25 (other than those mentioned in column 6).	Withdrawals from the Famine Insurance Fund during the years 1921-22 to 1924-25.	Closing Balance of the Fund on 31st March 1925.	Percentage which column 9 bears to column 2.
1	2	3	4	5	6	7	8	9	10
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Madras .	26,44,000	65,029		10,00,423	15,78,548	1,14,185	2,66,850	14,25,883	53·93
Bombay .	2,54,40,000	(a) 77,21,310		42,71,910	1,34,46,780	9,86,035	..	1,44,32,815	56·73
Bengal .	8,01,000	625		29,113	(d) 7,70,857	61,442	...	8,32,299	103·91
United Provinces.	1,58,40,000	(b) 44,64,722		10,50,135	1,03,25,143	38,61,669	(c) 92,72,996	49,16,816	31·04
Punjab .	15,24,000	...		5,19,510	10,04,490	54,065	..	10,58,555	69·46
Burma .	2,68,000	...	...	1,22,000	1,46,000	11,339	17,250	1,40,089	52·27
Bihar and Orissa.	46,48,000	58,044		1,29,318	44,60,638	10,31,653	14,07,603	40,84,688	87·88
Central Provinces.	1,89,04,000	26,38,911	(e) 11,37,562	40,02,915	1,11,24,612	14,06,609	11,69,155	1,13,62,066	60·1
Assam .	40,000	...	..	...	40,000	2,908	...	42,908	107·27
TOTAL .	7,01,09,000	1,49,18,641	11,37,562	1,11,25,345	4,28,97,068	75,32,905	1,21,33,854	3,82,96,119	54·62

(a) Includes Rs. 6,37,310 representing interest charges on capital outlay on the Lloyd Barrage Scheme met out of this grant in 1924-25.

(b) Includes Rs. 7,57,026 and Rs. 23,03,031 representing irrigation working expense and interest charges on capital outlay on certain irrigation works respectively met out of the Grant in 1924-25.

(c) Includes Rs. 21,44,750 withdrawn from the Fund in 1924-25 to meet interest charges on capital outlay on certain irrigation works.

(d) An unexpended balance of Rs. 375 of an extra grant of Rs. 1,080 provided by the Bengal Government for Famine Relief in 1921-22, in addition to the annual assignment of Rs. 2,00,000 prescribed in schedule IV of the Devolution Rules was not transferred to the Fund, as such sum was not regarded as forming part of it.

(e) Represents interest charges on advance taken from the Central Government for capital outlay on irrigation works and repayment of the advances met out of the Grant in 1923-24 and 1924-25.

28. In paragraph 25 of my letter forwarding the Appropriation report for 1923-24, I drew particular attention to the decisions reached by the Governments of Bombay, the United Provinces and the Central Provinces in regard to the utilisation of the Famine Insurance Grant and Fund for meeting interest charges on Irrigation Capital outlay and working expenses of certain canals and for making repayments of loans obtained for Irrigation constructions.

Paragraphs 19 and 42 of the Bombay report have brought to notice that the Government of Bombay has been specially authorised to earmark Rs. 10 lakhs annually out of the Famine Insurance Grant towards meeting interest charges on the loans obtained by that Government from the Central Government for the Lloyd Barrage Scheme during construction. In accordance with this authorisation a sum of 6,38 was debited to the Grant in the year under report.

In the United Provinces in accordance with the decision of His Excellency the Governor not only has interest on capital outlay on protective Irrigation Works during the year been met from the Famine Insurance Grant, but the interest in previous years on the same capital outlay has

been met from the Fund. The Rules do not contemplate a repayment from the Fund to general revenues to meet payments which might originally have been, but which in fact were not, met from the Grant or the Fund. In this case I do not think that interest on capital outlay on protective Irrigation Works is a legitimate charge on the Fund or Grant

In the Central Provinces a sum of 6,98 for the repayment of loans obtained for the Irrigation constructions and for the payment of interest thereon, was, as in the previous year, met from the Grant for Famine Insurance As stated in paragraph 27 of my letter forwarding appropriation reports for 1923-24, I regard this expenditure as contrary to the intention of the Devolution Rules.

I again invite attention to my remarks in paragraph 25 of my letter forwarding the appropriation reports for 1923-24

29 The figures in column 10 of the above statement shows that the percentage of the closing balance of the Fund on the 31st March 1925, to the aggregate of the annual assignments in the four years ending 1924-25, was highest in Assam and lowest in the United Provinces. In Assam there has been no expenditure since 1921-22 on any of the purposes for which expenditure can be legitimately incurred from the Fund The low percentage in the United Provinces is due mainly to the cause mentioned above.

30. *Administration of Grants* —In paragraph 32 of my last forwarding letter I stated that on the recommendation of the Central Public Accounts Committee the Government of India had issued orders towards the close of the year 1923-24, that no reappropriation should be proposed in placing supplementary Demands before the Legislative Assembly, but that the Assembly should be informed, when asked for a supplementary grant, of the savings which are likely to occur under other Demands I stated further that I had suggested to the provincial Governments that they also should consider how far they could adopt this system.

A scrutiny of the reports for the year 1924-25 shows that in that year reductions of grants were sanctioned only by the Legislative Councils in Bombay, the United Provinces, the Punjab and Burma. The constitutional question whether the Legislative Council is competent to reduce or withdraw a grant already voted by it which was raised in this connection by the Public Accounts Committee of the Punjab Government is still under the consideration of the Government of India

31. Under the existing rules, no re-appropriation between the sub-heads of a grant are permissible after the close of the year The Government of India, however, have recently held that if there is any excess expenditure under a sub-head the circumstances in which the excess occurred and was not met by re-appropriation from the other sub-heads should be reviewed by higher authority They have therefore decided that in all cases, whether the expenditure is voted or non-voted, the department responsible for the grant should take steps to scrutinise such excesses to find out whether these were avoidable or not and whether funds could not have been re-appropriated before the close of the year, and to intimate to the authority actually administering the grant any change of procedure which may be necessary to secure proper control over the expenditure All excesses occurring under the sub-heads within a grant should thus be formally reported for sanction, and if the grant as a whole is not exceeded and if re-appropriations could have been made before the expiry of the year by the department, the excess should formally be sanctioned by the department If re-appropriations could not have been made without the sanction of the Finance Department, such excesses should receive the sanction of that department In cases where the grant as a whole has been exceeded, an additional grant should be obtained from the Finance Department, in the case of non-voted expenditure, or from the Assembly in the case of voted expenditure. In either case, the excesses will be brought to notice in the appropriation report for scrutiny by the Public Accounts Committee.

32. The system of departmental control over expenditure to which I referred in paragraph 34 of my last forwarding letter has not yet had time to show the results that are expected from it. In Bombay, Bengal, Burma and the Central Provinces, the system was introduced during the course of the year under report, in Assam it was introduced from the 1st April 1925. The system involves the reconciliation of the figures maintained by the departmental and controlling officers with those brought to book in the accounts offices and considerable difficulties were experienced in the year under report in effecting this reconciliation, specially as the departmental and controlling officers were not conversant with the details of accounts classification. It is hoped that as departmental officers become more familiar with the details of the scheme, the discrepancies which are now noticed between their figures and those maintained in account offices will decrease and their financial control over expenditure will be more effective.

33. I mention below a few striking cases collected from different appropriation reports, which seem to indicate lack of adequate financial control, apart from incorrect budgeting:—

(1) Central Revenues.

(a) Page 20, Grant No. 1, Customs.

Under sub-head A-4 'Voted' a supplementary grant of 50 was obtained in February 1925 for Bengal, although re-appropriations to the extent of 34 sanctioned for that province under this head remained unutilised.

(b) Page 459, Grant No. 50. North-West Frontier Province—Account IX, Political B 1 (4).

The actual expenditure was in excess of the original grant by 64 although the original appropriation had been reduced by 38.

(2) Posts and Telegraphs.

Page 47—Maintenance of Telegraph Lines—A.—Telegraph Lines—4.—Allowances, Honoraria, etc.

The actual expenditure was in excess of the original grant under this head by 82. The major portion of this excess (60) occurred under Travelling Allowance through book adjustment and was due to the failure of control on the part of the officers administering the grant in that they confined their budget control to the actual expenditure on travelling allowance incurred by themselves and the disbursing officers under them without taking into account the effect of book adjustments.

(3) Madras.

Pages 136-137—41.—Civil Works—Original Works—23—Establishment.

The actual expenditure fell short of the original appropriation by 87 and yet the grant was increased by 1,51 resulting in a saving of 2,38 on the final net grant.

(4) Bombay.

Page 32.

Paragraph 58 of the appropriation report shows a few cases in which the Legislature was asked to vote supplementary grants, even though the actual expenditure was far less than the original grant.

(5) Bengal

Page 108-31—Education, F. (1) Direct Grants to Non-Government Secondary Schools—Reserved—Voted

The voted expenditure under this minor head was less than the original grant by 31 but re-appropriations to the extent of 48 sanctioned from this head resulted in an excess of 17

(6) United Provinces.

(a) Pages 15-16, paragraph 9

There are 33 separate items of expenditure shown against Grants-in-aid in this paragraph of the report Excess over original grants have occurred in no less than ten cases.

(b) Page 112—Excise—Transferred—(F) Refunds—Non-Voted

The actual expenditure fell short of the original appropriation by 6,61 grant by 78 This excess was anticipated at the time of preparation of the revised estimate and yet no steps were taken to cover the excess.

(7) Punjab

(a) Pages 72-73—5.—Land Revenue—Reserved—Voted—(C) Land Records

A saving of 1,43 occurred under this minor head after the original grant was increased by 53 and reduced by 1,58 in the course of the year

(b) Pages 170-171—45—Superannuation Allowances and Pensions

The actual expenditure fell short of the original appropriation by 6,61 and yet the Council was asked to vote a Supplementary Demand of 89 in February 1925

(8) Burma

(a) Page 65—25.—Jails and Convict Settlements—Ordinary Revenues—Reserved—(A) Jails

The actual expenditure was less than the original grant by 68 and yet the Council was asked to vote a Supplementary Demand of 23 so late as on 10th March 1925

(b) Page 68—Marine—Ordinary Revenues—Reserved—(C) Purchase of Marine Stores and Coal for the buildings, repairs and outfit of ships and vessels.

The original grant (12,58) closely corresponded with the actual expenditure (12,60) The grant, however, was supplemented by an additional grant of 27 and was reduced by re-appropriation amounting to 1,89 which resulted in an excess of 1,64

(9) Central Provinces.

Page 49—7.—Stamps—Reserved—(3) and (4)—Stamps supplied from $\frac{\text{Central}}{\text{Provincial}}$ Stores.

The actual expenditure under these combined heads was in excess by 29. In the previous two years 1922-23 and 1923-24, there were similar excesses of about 17 and 69 respectively indicating defective control over expenditure under these heads.

(10) Assam.

(a) *Pages 45 and 46—31.—Education—Transferred.*

Out of sixteen heads, excesses have occurred under eight and a slight excess in the total grant in spite of additions and reductions made in the course of the year.

(b) *Page 46—31.—Education—Transferred—Voted—(13) Inspection.*

The actual expenditure was well within the original grant but a reduction by re-appropriation on 30th March 1925, resulted in an excess of about 7.

34. A scrutiny of the appropriation accounts of the Central and Provincial expenditure in the year under report reveals considerable savings on works expenditure. The following statement shows the percentage of these savings as compared with the net grants for the central and provincial Governments separately.

——	Totol savings.	Total net grant or appropriation.	Percentage of (1) to (2).
	Rs.	Rs.	
Central—Civil	38,43	3,71,18	10·35
" Military Engineer Services ...	12,52	4,38,37	2·85
" Railways	16,54,02	29,96,05	55·20
Posts and Telegraphs	57,74	1,80,29	32·02
Provincial.			
Madras	12,81	2,17,11	5·90
Bombay	3,83,04	9,47,92	40·40
Bengal	8,64	1,07,96	8·00
United Provinces	49,35	2,93,04	16·84
Punjab	1,96,52	6,34,10	30·99
Burma	77,16	3,26,98	23·59
Bihar and Orissa	4,89	1,13,98	4·29
Central Provinces	8,67	1,11,01	7·81
Assam	3,55	41,07	8·64
Coorg	26	2,81	9·25

The savings were due generally to overestimation of the spending capacity of departments and in some cases to provision having been made in the budget for schemes which have not been fully matured and for which plans and estimates have not been prepared and sanctioned. The overestimation of the spending capacity was most visible in the case of Railway Expenditure under which there was a saving of 55 per cent. of the net grant. To reduce lapses within reasonable limits when compared with the estimate, the Government of India has now adopted the system of making lump sum deductions from the estimates prepared by administrative officers

of individual railways. The defect is prominent in the Postal and Telegraph Department also, and special attention to this point has been drawn by the Accountant General in paragraph 5 of his report. Paragraph 49 (iii) of the Bombay report shows that the Public Accounts Committee of that province has recommended to the local Council that in future no grant should be made for schemes which have not been fully matured. Paragraph 60 of the Punjab report shows that this question is receiving attention in that province. In Burma, the original budget estimate for public works expenditure from the Rice Control Profits was 111¾ lakhs while the actual expenditure was 77 lakhs. The existence of such a fund from which money can be obtained does not conduce apparently to accurate estimating.

35. The following statement prepared from the various appropriation reports show that in the year under report in all provinces the proportion of excesses over grants was greater in the case of non-voted than of voted grants. The percentage figures for the three years 1922-23 to 1924-25 tend to emphasise the view given in paragraph 40 of my letter forwarding the appropriation reports for 1923-24 that the submission of expenditure to the control of the Legislature ensures better financial control and that the majority of Governments appears to attach little importance to the necessity of formal provision of funds to meet excesses over non-voted expenditure. In Madras, Bombay, Bengal and the Punjab there has been a steady diminution in the three years ending 1924-25 in the number of grants in which excesses have occurred.

In this connection I would state, with reference to my remarks in paragraph 40 of my letter mentioned above, that the Central Public Accounts Committee made the following recommendation to the Government of India:—

> "We desire to draw the attention of the Government to these remarks of the Auditor General in order that they may take effective step ... fficers appreciate fully the nec ... the Government in the case ... ver they foresee that actual ... the sanctioned grant, just as in the case of voted expenditure they have to take steps to obtain the sanction of the Legislative Assembly."

and that instructions have been recently issued by the Government of India on this subject.

—	Voted Grants					Non-voted Grants				
	Number of Grants (1924-25)	Number of Grants in which excesses have occurred (1924-25)	Percentage of the number of Grants in which excesses have occurred to the total number of Grants			Number of Grants (1924-25)	Number of Grants in which excesses have occurred (1924-25)	Percentage of the number of Grants in which excesses have occurred to the total number of Grants		
			1922-23	1923-24	1924-25			1922-23	1923-24	1924-25
India	66	11	35·29	13·38	16·67	70	12	38·35	22·22	17·14
Madras	38	2	13·51	11·43	5·26	35	11	12·90	25·81	31·43
Bombay	19	1	26·31	11·11	5·26	17	5	33·33	40·00	29·41
Bengal	29	2	20·00	18·52	6·90	30	6	23·33	17·86	20·00
United Provinces	28	6	30·55	21·43	21·43	27	11	20·68	12·50	40·74
Punjab	32	3	27·50	13·51	9·38	24	7	28·57	33·33	29·17
Burma	38	3	...	.	7·89	38	9	...	12·00	23·68
Bihar and Orissa	29	3	9·37	12·90	10·34	27	5	21·42	20·69	18·52
Central Provinces	36	3	5·55	13·89	8·33	27	4	23·80	8·70	14·81
Assam	32	4	22·58	28·13	12·50	28	6	41·42	20·83	21·43

36. *Appropriation Audit of Expenditure in England.*—The appropriation accounts of the year under report show that provision for Home Expenditure continued to be made under grants of the following types:—

(i) Composite Home Grants—covering English expenditure only on a number of services, for each of which there is a separate Grant for Indian expenditure.

(ii) Combined subject Grants—covering the entire expenditure, whether English or Indian, on a particular service.

The method of providing for English expenditure thus varied with the different Governments, some of which brought the whole of their expenditure under one type or the other, while the remainder, including the central Government, made use of both types.

The possibility of securing uniformity of procedure for all Governments is still under consideration together with that of delegating to the Home authorities, with regard to Home Expenditure, the powers of re-appropriation at present exercised by the Finance Department of the Governments concerned.

37. The recasting of the entire accounts of the Posts and Telegraph Department which has been in progress for some time, reached such a stage during the latter part of the year under report that it was possible to introduce a new classification scheme, worked out on commercial principles, with effect from the accounts of the year 1925-26.

38. The year under report was also marked by the introduction of a scheme for the separation of the Railway from the General Finances which received the assent of the Legislative Assembly in the September Session. As a corollary to this scheme, a Depreciation Fund has been created and the principles under which expenditure on renewals and replacement has hitherto been allocated between capital and revenue have been revised. A Standing Finance Committee for Railways has also been constituted, whose primary function is to deal with the Budget and additional grants.

V.—Public Accounts Committee.

39. Copies of the reports made by the Public Accounts Committees after considering the appropriation reports for 1923-24 have been received, except those of the Public Accounts Committees of Bombay and Burma. In my letters forwarding the appropriation reports for 1924-25 (*vide* Enclosures VI and X) I have brought the non-receipt of these reports to the notice of the respective local Governments. In every case the Accountant General attended the meetings of the Committees. The officiating Auditor General also was present at the meetings of the Central Public Accounts Committee.

I mentioned in paragraph 45 of my last forwarding letter that the Accountant General, Madras, had stated that the members of the Madras Public Accounts Committee do not appear to have taken the same interest in the appropriation report for 1923-24 which they took in the previous year. The other reports, specially those presented by the Public Accounts Committees of the Central Legislative Assembly and of the Legislatures of Bengal and the Punjab indicate that they were carefully scrutinised and that in some cases many questions of importance were raised.

VI.—Declarations by the Governor General, the Governor, or the Governors in Council as regards classification of expenditure.

40. Declarations made by the Governor General or the Governors in Council as regards the classification of expenditure have been mentioned in the various reports under the section "Changes in Classification". I desire, however, to draw attention to the following declarations:—

(*a*) On an examination of the accounts of 1924-25 it was observed that His Excellency the Governor of Bihar and Orissa has decided under Rule 7 of the Devolution Rules that the supply

of stationery to all departments from the Bihar provincial stores shall be treated as a Reserved subject. This declaration was made on the following report made by the provincial Public Accounts Committee on the appropriation accounts for 1923-24:—

"*After the system of obtaining Stationery from the Central* Government's stores was abandoned, the local Government did not make separate provision for "Stationery Stores" under "Transferred", on the ground that the purchase and distribution of Stationery Stores are now carried out by a single provincial establishment as a branch of the Government Press, Gulzarbagh, Patna, which is a reserved department, and it was not considered necessary to treat issues to transferred departments as equivalent to actual sales, as were the old purchases from Central stores. The Committee has no desire to depart from the general principle that expenditure on reserved and transferred departments should be kept separate but a complete division is not possible under the present constitution, and accordingly the Committee agrees with the local Government's view that an imaginary division *is not necessary in the* present matter"

This classification however is contrary to that which has been adopted in all provinces other than the United Provinces, where separate provisions are made for supplies to Reserved and Transferred departments

(*b*) From paragraph 219 (*e*) of the report on the central civil transactions it appears that the classification of charges under the sub-head "Management of Debt" subordinate to the grant for "19.—Interest on Ordinary Debt" has been altered from non-voted to voted, as the charges do not properly represent Interest and Sinking Fund charges on Loans. A scrutiny of the other reports shows that while the charges under this sub-head are treated as voted in the United Provinces and the Punjab, they are treated as non-voted in Bombay

VII.—Authorisation of expenditure by Governments.

41. A special feature of the appropriation accounts of the year under review was the exercise by Their Excellencies the Governors of the Central Provinces and Bengal of the statutory powers vested in the Governor under provisos (*a*) and (*b*) of Section 72-D (2) of the Government of India Act to a much larger extent than has been found necessary *since the introduction* of the reforms.

In the Central Provinces the Legislative Council refused its assent to all the Demands for both the Transferred and Reserved subjects which were submitted to vote in March 1924 with the exception of a sum of Rs. 2 which was voted for the salaries of Ministers Again, out of six Supplementary Demands for expenditure on Reserved subjects which were presented to the vote of the Council in March 1925, *only two were voted and four* were rejected.

In Bengal, out of a Demand of Rs. 914 lakhs for votable expenditure which was presented to the Legislative Council in March 1924 for vote, the Council voted Rs. 5,68 lakhs only

In these circumstances, His Excellency the Governor of the Central Provinces certified the votable expenditure in the case of Reserved subjects presented for vote in March 1924, with the exception of some items which could be postponed without serious detriment to the administration or loss to provincial revenues, and restored the rejected Supplementary Demands.

He also authorised the votable expenditure in the case of Transferred subjects within certain definite limits. The principle followed by him in respect of the Transferred subjects was to authorise the expenditure on a scale necessary for the carrying on of each department including certain items which, although classed as "new expenditure" for budget purposes, were really commitments of the Government in accordance with past practice. Such items included grants to non-Government Arts Colleges and non-Government Secondary Schools, grants to local bodies for Secondary and Primary education, grant to District Councils for general purposes and grants to hospitals and dispensaries. At the same time he held that he was not empowered to authorise new expenditure proposed in the budget for schemes of development to which Government was not committed in accordance with past practice, and these were postponed till funds could be provided by the vote of the Council.

His Excellency the Governor of Bengal, on the other hand, held that he had no power to authorise the continued expenditure according to the existing sanctioned scale on grants and contributions to local bodies and other non-Government institutions which were in the shape of Government commitments. He explained to the Legislative Council that he could only authorise, if he so desired, such expenditure as would provide for the bare necessities of the existence of the services and of the departments and institutions of the Government and that it was not within his powers to authorise the payment of grants and contributions to aided institutions and local bodies. In the case of Reserved subjects he said that he could restore every single item in the budget. In this view he certified a sum of Rs. 317 lakhs out of the amount refused in connection with Reserved subjects and authorised a sum of Rs. 2¾ lakhs only in connection with Transferred expenditure as a measure of emergency.

42. In this connection it was decided by the Government of the Central Provinces that, in regard to certified expenditure, once the Governor has certified a grant under Section 72-D (2) (*a*) of the Government of India Act, the local Government had power to act as though the Demand had been assented to by the Legislative Council and that it had therefore all the ordinary powers of re-appropriation which it had when the Council had voted the expenditure. On the same principle it was decided that a Supplementary Demand should be presented for the vote of the Council if there were excesses over certified grants. In respect of the expenditure of the Transferred departments for which no specific provision existed in the budget it was decided that no re-appropriation was permissible. It was held that the Governor's authorisation of the expenditure on Transferred subjects empowered the controlling officers of the Transferred departments to incur expenditure to the extent of the grants provided in the budget under each detailed head, and that any expenditure in excess of those grants required further authorisation by His Excellency. The principle underlying this decision was that the details shown in the budget estimates under the various units of appropriation represented the amounts determined by the Governor to be necessary for the carrying on of the departments concerned, and that consequently no increase in those details could be made without an order of the Governor under proviso (*b*) to Section 72 D (2) of the Act, as power to determine the amount of essential expenditure rested with the Governor alone. The view taken by the Madras Government on this subject is reproduced below from paragraph 62 of the Madras report:—

> "It is understood that the Madras Government is disposed to the view that an authorisation of expenditure by the Governor under Section 72-D (2) (*b*) of the Act does not imply, within the standard of financial propriety, free power to re-appropriate further funds for that object, any more than it permits re-appropriation from such a supply for other purposes. Although the fact of such authorisation is communicated to the Council, it is held that unless the Council explicitly approves the scope of the item by adding a sum to it in the form of a Supplementary grant, re-appropriation to that item is ordinarily improper".

43. The reports show that in the year under review expenditure was certified and authorised by Governors under Section 72-D (2) (*a*) and (*b*) of the Act in the following other provinces:—

> Madras (paragraphs 59 and 61 of the report), United Provinces (pages 48 and 49—paragraphs 23 and 24 of the report), the Punjab (paragraph 7 of the report), Bihar and Orissa (paragraph 28 of the report) and Assam (paragraph 30 of the report)

The total number of cases, in these provinces, in which powers of certification and authorisation were exercised by a Governor in the year under review, was twenty-four of which nine occurred in the United Provinces and six in Assam. The corresponding total number of cases in the preceding year was ten.

VIII.—Secretary of State's orders on the appropriation reports and on other miscellaneous matters.

44. I would draw attention to the fact that I have not yet received orders on the points raised by me in the following paragraphs of my letters forwarding the appropriation reports for 1922-23 and 1923-24 —

(*a*) Paragraph 47 of letter No 940-Admn /229 24, dated the 2nd June 1924

(*b*) Paragraphs 16, 25 to 29 and 46 of letter No 929-Admn /228-25, dated the 6th July 1925

45. I would also suggest very respectfully to the Secretary of State that it is extremely desirable that I should receive whatever comments he may wish to offer upon my letter forwarding the reports in time for these comments to be taken into consideration by the various Public Accounts Committees when dealing with the following year's appropriation reports, *i.e.*, they should reach India before the end of February It is true that most provinces do not deal with audit and appropriation reports until the hot weather or rains but the Madras Government likes to undertake this duty towards the end of March

46 I would also draw special attention to the comments in paragraph 4 of my letter to the Government of India (*vide* Enclosure I) on the delay on the part of that Government in acceding to a request of mine to obtain an authoritative interpretation from the Secretary of State of Section 85 (3) of the Government of India Act

In connection with the question of recovery of full rental from the Members of the Governor General's Executive Council, I suggested to the Government of India in September 1921 that the Secretary of State should be told that it might be necessary for the Government of India to address him as to the interpretation to be placed upon Section 85 (3) of the Government of India Act, and a paragraph to that effect was included in the Government of India, Finance Department despatch No 50, dated the 2nd December 1921 In April 1922, I again pressed the Government of India to obtain from the Secretary of State an authoritative interpretation of the words "profit or advantage" as used in Section 85 (3) of the Act Shortly after this I went on leave and on return it came to my notice that in paragraph 3 of his despatch No 2-P W, dated the 23rd February 1922 the Secretary of State had expressed the view that Members of the Executive Council should pay the full rental which would be recoverable under the ordinary rules (*i.e.*, under Fundamental Rule 45) from other officers for accommodation supplied to them by Government In view of this I pointed out in January 1923 that if the principle enunciated by the Secretary of State were accepted by the Government of India, there would be no immediate necessity for the interpretation of the Section 85 (3) of the Act which I had suggested In March 1923 in a telegram to the Secretary of State, the Government of India urged that the Members of the Executive Council should not be brought under the ordinary rules applicable to other Government officials and this was apparently accepted by the Secretary of State Once it had been decided that the ordinary rules should not be applied to the Members of the Executive Council

the need for the authoritative interpretation which I had requested two years before, again arose. In May 1925, I again reiterated the need for this reference and that I had not done so earlier was due to the fact that I was unaware of the telegraphic communications referred to above. From the latest information furnished to me by the Government of India, it appears that it does not desire to make the suggested reference to the Secretary of State, although in September 1921 I said "it will be impossible for me to fulfil my duties as Auditor General unless I obtain from the Secretary of State a clearer expression of his interpretation of the clause 'the whole profit or advantage which he shall enjoy from his office during his continuance therein'." I submit that I was then, as I am now, entitled to ask the Government of India to obtain such an interpretation from the Secretary of State inasmuch as I am statutorily responsible for the efficiency of audit in India.

I therefore raise the question whether I should not be given right of direct access to the Secretary of State, or in the alternative, whether the Secretary of State would not be pleased to make a clear pronouncement as to the nature of the cases in which the Auditor General may demand that the Government of India make a reference to the Secretary of State on his behalf.

I have the honour to be,

Sir,

Your most obedient servant,

M. F. GAUNTLETT,

Auditor General in India.

No. 701-Admn./270-26.

Copy forwarded to all local Governments, and the Accountants General, the Director of Audit, United Provinces, the Comptroller, Assam, Examiners of Press and Customs Accounts, Director of Army Audit, Audit Officers, Indian Stores Department, Bombay Development and Lloyd Barrage and Canals Construction, for information.

M. F. GAUNTLETT,

Auditor General in India.

Delhi,

The 9th July 1926.

SCHEDULE

Appropriation reports for 1924-25.

1. Appropriation report on the accounts of Central Civil expenditure by *the Accountant General, Central Revenues*.

2 Appropriation report on accounts of Army, Marine and Military Engineer Service by Financial Adviser, Military Finance

3. Appropriation report on Posts and Telegraphs Department by the Accountant General, Posts and Telegraphs

4. Appropriation report on accounts of Railways in India by the Accountant General, Railways

5. Appropriation report on accounts of the Madras Presidency by the Accountant General, Madras.

6 Appropriation report on accounts of Bombay Presidency by the Accountant General, Bombay

7. Appropriation report on accecunt of Bengal Presidency by the Accountant General, Bengal.

8 Appropriation report on accounts of the United Provinces by the Accountant General, United Provinces.

9. Appropriation report on accounts of the Punjab by the Accountant General, Punjab.

10. Appropriation report on accounts of Burma by the Accountant General, Burma.

11. Appropriation report on accounts of Bihar and Orissa by the Accountant General, Bihar and Orissa

12. Appropriation report on accounts of the Central Provinces by the Accountant General, Central Provinces

13. Appropriation report on accounts of the Assem by the Comptroller, Assam.

14 Appropriation report on accounts of Coorg by the Accountant General, Madras

Enclosure I (*a*).

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, NO. 704-ADMN./83-26, DATED THE 9TH JULY 1926.

SUBJECT:—*Audit and Appropriation accounts of the Central Government (Civil) for the year 1924-25.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Audit and Appropriation accounts of the Central Government (Civil) (excluding expenditure on Railways and Posts and Telegraphs) for the year 1924-25 prepared by the Accountant General, Central Revenues, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. They also deal with other central civil transactions (excluding Railway and Postal and Telegraph transactions) audited and booked by Audit officers other than the Accountant General, Central Revenues. The results of the audit conducted by the Audit officer, Indian Stores Department, and by the Examiners of customs and Press accounts are also included.

2. I also append to this letter a consolidated statement (Statement 'A') in which the expenditure from all central grants, whether voted or non-voted is set forth. It will be seen that in the aggregate the actual expenditure was 28,93 lakhs less than the final grant. Statements 'B' and 'C' enclosed show the excess over 'voted' and 'non-voted' grants which require the sanction of the Legislative Assembly and of the Finance Department of the Government of India respectively.

3. This is the first report prepared according to the new proposals. Complete effect has not yet been given to them and it may be anticipated that the accounts and explanatory notes will be even more voluminous than they are at present.

I am clearly of opinion that the report is too long and I have already instructed the Accountant General—

(1) to exclude therefrom in future irregularities of comparatively minor importance;

(2) to shorten the relation of those irregularities which are retained by the omission of all irrelevant or unimportant details, and

(3) if a case is mentioned in the repodt, to record in the notes attached to the accounts merely a reference to the paragraph in the report.

I shall be glad to know if the Public Accounts Committee approves these instructions.

I have not yet had time to consider whether the accounts as now presented are unduly elaborate and if so what modifications can be made without unduly lessening their value. I am also of opinion that it is for the Committee to decide this point. The Committee will see that the accounts themselves occupy nearly 400 pages of print and I suggest that, as the accounts are scrutinised, the Committee will consider whether any of the details can be omitted or reduced.

4. I take this opportunity of bringing to notice a case in which delay on the part of the Government of India in acceding to a request of mine has seriously impaired the efficiency of my audit. In January 1920, I pointed out that inasmuch as the Honourable Members of the Governor General's Executive Council did not pay the full rent of their residences, they were enjoying an advantage to which they were not entitled under

Section 85 (3) of the Act and that the rates of rent which were being recovered from them required the sanction of the Secretary of State. This view was placed before the Secretary of State in the Government of India Despatch of September 1920. In reply the Secretary of State remarked in his despatch of December 1920 that he was advised that my objection was probably not well founded so far as it rested on a reference to Section 85 (3) of the Government of India Act. He was, however, in agreement with the substance of my objection. The Government of India drafted a despatch in reply and sent a copy of the draft to me for comment. In September 1921, I suggested that the Secretary of State should be told that it might be necessary for the Government of India to address him as to the interpretation to be placed upon Section 85 (3) of the Act A paragraph to that effect was then included in the Government of India despatch of December 1921. I also explained why the reference was necessary In April 1922, I again pressed the Government of India to obtain from the Secretary of State an authoritative interpretation of the words " profit or advantage " as used in Section 85 (3) of the Act

In view, however, of the orders contained in Secretary of State's despatch of 23rd February 1922 that Members of the Executive Council should pay the full rental which would be recoverable under the ordinary rules (under Fundamental Rule 45) from other officers for accommodation supplied to them by Government, I pointed out in January 1923 that if the principle enunciated by the Secretary of State were accepted by the Government of India, there would be no immediate necessity for the interpretation of Section 85 (3) of the Act which I had requested In March 1923 the Viceroy sent a telegram to the Secretary of State urging that the ordinary rules should not be applied to the Members of the Executive Council and this view was apparently accepted by the Secretary of State about July or August 1923. Once it had been decided that the ordinary rules should not be applied to the Members of the Executive Council, the need for the authoritative interpretation which I had requested two years before again arose. In May 1925, I again reiterated the need for the reference From the latest information furnished to me by the Government of India, it appears that it does not desire to make the suggested reference to the Secretary of State on the general question of the interpretation of Section 85 (3) of the Act. The Government of India has expressed the view that it may not be possible for the Secretary of State to give an authoritative decision without reference to individual cases This may be true but a detailed statement of the reasons underlying his decision with regard to the rental of Members houses must inevitably be of great benefit to me and this I submit I am entitled to obtain I have at present only two channels of approach to the Secretary of State, *viz*.

(1) through my letters forwarding the annual Audit and Appropriation Reports and

(2) through the Government of India.

I submit that in an urgent matter like this the Government of India should accede to my request to use the second channel

It is significant to notice from the details of this case that my request for an authoritative interpretation of the Section of the Government of India Act remained with the Government of India uncomplied with from 17th September 1921 when I first raised the question to 8th January 1923 when I temporarily withdrew it As I have explained above, the need for the reference demanded by me again arose before September 1923 and has again remained uncomplied with upto this date

5. I desire to draw attention to another case of very long and serious delay in the consideration of a question referred by me to the Government of India on the subject of revision of electric installation and current charges in the residences of Heads of Provinces I need hardly emphasise the importance of dealing with the questions raised as a result of audit with reasonable promptitude and any delay on the part of the authorities

in taking adequate action demanded of them will, I repeat, seriously impair the efficiency of my audit. The facts of the case now brought to notice are as follows :—

In January 1919, the Accountant General, Punjab, brought to my notice that the sum of Rs. 1,800 paid per annum by the Lieutenant-Governor, Punjab, for the service of the electric installations at the Government House in Lahore and at Barnes Court at Simla, and for the cost of energy supplied was fixed in 1904 to cover only a small percentage of the cost involved. Though additional expenditure amounting to Rs. 59,856 was incurred upto 1917-18 on additions and alterations, there had been no change in the amount to be recovered from the Lieutenant-Governor. The position was understood to be the same in the United Provinces and Burma. I brought these facts to the notice of the Government of India in March 1921 and suggested a re-examination of the whole position. In October 1922, I was informed that the question was under consideration. Again in October 1923, I was given to understand that the question was being considered along with that of revision of rent of Honourable Members' residences which was to be considered by a committee. In reply to the periodical reminders, it was stated by the Government of India in May 1924 that the question was held in abeyance pending consideration of the question of rent of Honourable Members' residences. A further reminder elicited the reply that the question was held up as no decision was arrived at on the question of revision of rent of Honourable Members' residences. The information given to me in November 1925 was that the question was now being taken up.

6. I offer the following comments on the audit and appropriation accounts prepared by the Accountant General, Central Revenues.

Section I.

7. *Paragraph 2.*—The question whether the view expressed here is legally correct is still under consideration.

8. *Paragraph 3.*—I invite the attention of the Public Accounts Committee to this paragraph.

9. *Paragraphs 6 and 7.*—In nearly all the cases mentioned in these paragraphs the savings are in excess of 10 per cent. of the original grant. It cannot be said, therefore, that under these grants the demands were very accurate and I concur in the remarks of the Accountant General contained in paragraph 8 of this section of the report.

10. *Paragraph 9, sub-paragraphs 4 and 5.*—Attention is invited to paragraph 15 of the Government of India, Finance Department Resolution No. D.-1089-A., dated the 1st June 1926, on the report of the Public Accounts Committee on the accounts of the year 1923-24 from which it will be seen that no final decision has yet been arrived at on the point referred to in sub-paragraph 5. In the circumstances the excesses mentioned in the second column of sub-paragraph 4 require the sanction of the Legislative Assembly.

11. *Paragraph 10.*—The explanation for the excess of Rs. 1,01,635 under " extraordinary payments " will be found on page 561 of the accounts portion of the report.

12. *Paragraph 11, sub-paragraph 1.*—The procedure mentioned in this sub-paragraph has been explained more fully in paragraph 10 of the Government of India, Finance Department Resolution No. D.-1089-A., dated the 1st June 1926.

13 *Paragraph 17.*—Does the Public Accounts Committee wish a complete list to be given even when—

(1) approval of the Standing Finance Committee is not necessary or has subsequently been obtained, and

(2) a supplementary grant is found to be unnecessary or has subsequently been obtained?

14. *Paragraph 24, second sub-paragraph.*—The reference here is to paragraph 7 of my letter forwarding the Audit report for 1924-25.

15. *Paragraph 24, third sub-paragraph and 210 (h)* —Attention is invited to my comments in paragraphs 22 and 23 of the letter forwarding the Audit report for 1924-25, which are reproduced below for facility of reference.

"22. *Paragraph 66* —It is important that the financial results of residential buildings should be reviewed periodically

23 *Paragraph 66-B.*—In view of the heavy loss which the Government is sustaining it is hoped that early orders will be passed in accordance, as far as possible, with the prescribed rules on the subject."

I recognise that in some cases losses on rents are inevitable but there are other cases in which they could be reduced considerably

16. *Paragraph 24, sub-paragraphs 4, 5 and 6 and paragraphs 194, 195, 196, 200, 201 (d), 202, 205 (a) and (b), 206 (a) and (b), 209, 213, 214 (a)* —'Attention is invited to the following comments embodied in paragraph 3 of my letter forwarding the Audit report for 1924-25.—

"3. As regards works transactions, the types of irregularities which require special notice are mentioned by the Accountant General, Central Revenues, in paragraphs 8 and 9 of his Report, *viz*:—

(i) contracts and the dealings of the departmental officers with contractors (*vide* paragraphs 34 to 50 of the Report),

(ii) the purchase, care and disposal of stores (*vide* paragraphs 51 to 63 of the Report), and

(iii) want or unsatisfactory maintenance of initial account records maintained by departmental officers (*vide* paragraphs 21 to 33 of the Report)

I concur in all that the Accountant General, Central Revenues, says on these matters in the paragraphs of his Report quoted above. In respect of (i) above I also invite attention to the comments in paragraph 15 of my letter No 379-Admn./588—24, dated the 5th March 1925, forwarding the Audit Reports for 1923-24, and in respect of (ii) above, I fully endorse the Accountant General's suggestion in the concluding portion of paragraph 54 of his Report as to the desirability of a departmental enquiry into (1) the defects in administration or other causes leading [illegible] the extent of control or [illegible] neers in the discharge [illegible] such a state of affairs."

17. *Paragraph 24, sub-paragraphs 7 and 8* —I have commented on these in paragraphs 5 and 6 of my letter forwarding the Audit report for 1924-25 which are given below —

"5 I mention (iv) misrepresentation of facts, etc (in paragraph 4 above), because the effects of audit must be nullified if the facts are misrepresented or the accounts presented for audit represent the facts inaccurately

6. I mention (v) (in paragraph 4 above) specially because I am anxious that the high officials in question shall realise their own responsibilities in this matter. The official responsible for the supply of furniture to them is comparatively junior and he is placed in a very difficult position if he is pressed, or even asked, to take action in respect of the supply of furniture and he knows that compliance therewith must entail infringement of the rules on the subject. The irregularities mentioned in paragraphs 13 and 14 of the Report are so serious that one can hardly believe they would have been committed unless the officer had been faced with a definite request for articles, the supply of which, or for action, the performance of which was inadmissible. I do not suggest that those making the request contemplated that the officer would commit such serious irregularities in complying with them. But I beg high officials to remember that if requests are made in respect of furniture, compliance with which is inadmissible under the rules, the granting of those requests by the officer responsible for the supply of furniture may involve the commission of irregularities so serious as to entail the risk to the officer of his removal from the service."

18. *Paragraph 25.*—The irregularities mentioned in this paragraph ave been commented upon in paragraphs 8 and 9 of my letter forwarding he Audit report for 1924-25.

" 8. On the Civil side, the classes of irregularities which need special comment are:—

(i) Misrepresentation of facts or manipulation of accounts to avoid audit objections (*viz.*, paragraphs 104 to 106 of the Report).

(ii) Loss or risk of loss occasioned by carelessness or neglect of the financial interests of Government (*vide* paragraphs 108 to 114-A of the Report), and

(iii) Failure to safeguard the interests of Government properly in entering into contracts (*vide* paragraphs 118 to 123 and 128 of the Report).

I endorse the comments of the Accountant General, Central Revenues, on these types of irregularities which are to be found in paragraphs 79-D and 79-E on page 51 of the Report.

9. The Departments which need special consideration on the Civil side are Customs and the Northern India Salt Departments".

Section II.

19. *Paragraphs 27 to 29.*—I invite attention to paragraph 10 (iii) of my letter forwarding the Audit report:—

" 10 (iii). *Customs.*—This report [*e.g.*, paragraphs 82, 83, 84, 108 (ii) and (vi) (*b*)], leaves one with an uneasy feeling that there has been very serious leakage in this Department which may recur and as the Department provides more revenue to the Government of India than any other Department, money devoted to stopping this leakage will be well spent. The initial determination of the bulk of the receipts of this Department is in the hands of the appraisers and the vital need at present is the improvement of the work done by them whether by adequate supervision or otherwise. There is evidence in this Report [*vide* paragraphs 108 (i) to (iv) and (vi)], which confirms the opinion expressed last year that the internal audit conducted by the Department is not as efficient as it might be."

20. *Paragraph 30.*—Attention is invited to the comments in paragraphs 10 (iii) and 33 to 36 of my letter forwarding the Audit report for 1924-25 :—

"33. *Paragraph 108.*—The following defects of the existing system of local audit are specially brought to notice in support of the comments made last year as to the need of suitable measures in order to put the system of the internal check and audit in the Customs Department on a satisfactory footing :—

(*a*) There was no certainty that bond bills of entry had ever really been audited (paragraph 108 (ii) of the Report).

(*b*) Local audit failed to note that standing orders were not complied with (paragraph 108 (ii) of the Report).

As a consequence of (*a*) and (*b*) above, not a little revenue was lost to Government.

(*c*) Local audit failed to detect non-payment of duty in the case of certain articles (paragraph 108 (iii) of the Report).

(*d*) Local audit failed to detect incorrect basis of assessment of duty on certain articles involving loss to Government.

(*e*) An erroneous method in the calculation of duty in several instances continued for several years which resulted in a very considerable loss to Government, was not detected in local audit (paragraph 108 (vi) (*b*) of the Report).

34. *Paragraph 108* (vi) (*a*).—Early measures seem necessary to remedy the "muddle" in the Bombay Customs House, as any delay in doing so may result in loss to Government.

35. *Paragraph 108* (vi) (*b*).—As the Examiner points out that this erroneous practice involves serious loss, it is presumed that it has already been set right.

36. *Paragraph 108* (vii).—It seems desirable that Government should consider whether the Commissioner's order for the subsequent refund of duty formerly realised was *ultra vires*."

21. *Paragraph 40.*—Though the Audit officer is acting rather as a Financial Adviser in putting forward these suggestions I suggest that they deserve consideration.

22. *Paragraph 41, last 4 lines.*—I have told the Accountant General and the Audit officer, Indian Stores Department, that the primary function of an Audit officer is to record facts and not to express decisions on those facts.

23. *Paragraphs 42-46.*—Attention is invited to paragraph 10 (iv) of my letter forwarding the Audit report for 1924-25 :—

"10 (iv). *Northern India Salt Department.*—The work of this department is undertaken in such remote localities that the Department has hitherto escaped adequate local audit scrutiny. It is the application of this local scrutiny for the first time which has disclosed the revelations made in this Report. It is a common experience in audit that the first local enquiry reveals startling features. I am glad to say that it is an equally common experience that energetic action is taken to rectify defects thus disclosed and after a few years the local audit settles down into a [illegible] routine which is rarely enlivened by the discovery of serious irregularities. I trust that in succeeding years it will be possible to say the same of the work in the Northern India Salt Department."

24. *Paragraphs* [illegible].—I invite attention to para 29 of my letter forwarding the Audit report for 1924-25 :—

"29. *Paragraphs* [illegible].—In the cases reported in these paragraphs [illegible] of personal property."

25 *Paragraph 60.*—Attention is invited to my comment in paragraph 39 of the letter forwarding the Audit report for 1924-25.

"39. *Paragraph 119.*—It has since been admitted that there was a definite mistake in granting a contract for Rs. 17-8-0 when the tender was for Rs. 17-4-0 only. The defect is stated to be now being remedied.

The more important feature is the failure to call for tenders when the first contract expired. This was specially necessary in view of the fact that in the absence of any other tenders the rate was increased from Rs. 17-8-0 to Rs. 24. It would have been a mere act of prudence to safeguard the officer responsible against any possible criticism of this large increase to have called for tenders whereby he would have obtained clear evidence that the increase granted was justifiable. I do not agree fully with the Audit officer that the failure to call for tenders involved Government in a loss of about Rs. 76,000, as conditions appear to have changed very considerably in the period which had elapsed since the first call for tenders so that I admit that it is probable that the new tenders, if they had been called for, would have been on a rate considerably in excess of Rs. 17-8-0.

When the tenders were called for, there were alternative tenders for one year for Rs. 17-4-0 and for three years for Rs. 17-8-0. When these tenders were under consideration it was known that the amount of work to be carried through at Sambhar during the following three years would be very considerable. It is a matter of common knowledge that a demand for a very large increase of labour in an area which cannot supply labour to any considerable extent is bound to raise the price of labour. Subsequent events have shown that the officer responsible would have been well advised to have accepted the tenders, for three years at Rs. 17-8-0. I admit that in saying so I lay myself open to the criticism that it is easy to be wise after the event. I can only reply that the facts on which I base my arrangements as to the effect of a large increase in demand upon rates of labour are well known."

26. *Paragraph 61.*—Attention is invited to paragraph 40 of my letter forwarding the Audit report for 1924-25.

"40. *Paragraph 120.*—The serious aspect of this case is that the disbursing officer exceeded his powers of entering into contracts."

27. *Paragraphs 62 and 64.*—I have commented on the case in paragraph 41 of my letter forwarding the Audit report for 1924-25.

"41. *Paragraph 121.*—I regard this as one of the most serious cases in the Report. The arrangement under which a responsible officer of Government is allowed to become the contractor for work which he has to supervise, check and measure on behalf of Government is opposed to the fundamental principle of control over works expenditure. Paragraph 123 of the Report is an instance of the possibility of oversight on the part of the officer who is also the contractor."

28. *Paragraph 67.*—Attention is invited to paragraph 31 of my letter forwarding the Audit report.

"31. *Paragraph 105.*—The deliberate manipulation of accounts in order to evade audit objections on unauthorised expenditure is a serious feature of the cases brought to notice in this paragraph. The rates charged to these outside bodies and persons seem to have been unduly low, and apart from these aspects of the cases, Government will no doubt consider the possibility of charging higher rates as soon as possible. From this point of view the delay in dealing with these cases may be serious."

29. *Paragraph 68* —The splitting up of expenditure to evade higher sanction was a serious irregularity.

30 *Paragraph 95.*—Attention is invited to my comments in para. 26 of my letter forwarding the Audit report for 1924-25.

> " 26 *Paragraph 86* —Cases of considerable loss of stamps in transit have again been brought to notice this year In the Accountant General, Central Revenues' previous Report [paragraph 4 (i) (v) of the Report for 1923-24], it was stated that the Controller of Stationery and Stamps was to make proposals to Government for the prevention of the loss of this nature It is not apparent whether these proposals have been submitted and orders passed thereon "

31. *Paragraphs 113 and 114* —I invite attention to paragraphs 37 and 27 respectively of my comments on the Audit report for 1924-25

> "37 *Paragraph 114-A* —This paragraph furnishes an excellent example of heavy loss to Government in consequence of accumulation of stores in excess of annual requirements
>
> 27. *Paragraph 90.*—In this case serious irregularities were committed [illegible] nk without sanction wi [illegible] the money when asked t [illegible]
>
> No notice appears to have been taken of the conduct of the officer responsible "

32 *Paragraph 129.*—I am not prepared to challenge the equity of revising the recorded value of property provided that

(1) the revaluation is carried out by an expert not likely to be affected by the results of the revaluation, and

(2) the change in value is very marked and is likely to be permanent

33. *Paragraphs 129-131.*—The Accountant General rightly points out that many of the orders now regulating the rents paid by certain central Government servants contravene the provisions of Fundamental Rule 45 and that if these rules are to remain in force it is essential

(1) that Fundamental Rule 45 should be modified so as to be in harmony with them, and

(2) that the effects of these rules, so long they are *ultra vires* of Fundamental Rule 45, should be regularised by competent authority

34 *Paragraph 133.*—The question raised in this paragraph is one of considerable importance

35 *Paragraph 134 (d)* —If the rents of the bungalows were communicated to the tenants after the allotments were made, it is not clear why they could not be revised before they were intimated.

36. *Paragraphs 140, 156, 176, 177, 180, 181 and 231* —Attention is invited to paragraph 47 of my letter forwarding the Audit report.

> "47. *Chapter VI.—Higher Audit* —This Chapter contains some instances in which substantial increase of revenue or saving of expenditure was possible as the result of suggestions of the Audit Department "

37. *Paragraph 141* —I invite attention to paragraph 48 of my letter forwarding the Audit report for 1924-25

> "48. *Paragraph 148* —The allowance made for maintenance and repair charges in fixing the standard rent of residential buildings in Rajputana appears to be far less than the actual charges incurred on that account. It is important that the former should correspond as far as possible with the latter."

38. *Paragraphs 145 to 149 and 151.*—Attention is invited to my comments in paragraph 13 of my letter forwarding the Audit report.

"13. *Paragraphs 19, 20, 21, 22, 23, 55 and 56.*—From internal evidence it appears probable that the same officer was responsible for all the irregularities mentioned in these paragraphs, and yet, so far as can be seen, no action has been taken against him. The officer apparently left Government employ in November 1924 but I suggest that Government should seriously consider whether some action could not still be taken against him and why none was taken before November 1924."

39. *Paragraphs 155 and 158.*—I invite attention to my comments in paragraphs 45 and 38 respectively of my letter forwarding the Audit report.

" 45. *Paragraph 135-A.*—This is an excellent example of the evil results which may follow the grant of an allotment just before the close of the year. In sanctioning and allotting funds late in the month of March the sanctioning authority should carefully consider whether the amount can, within the remaining days of March, be expended economically and with due regard to financial rules.

38. *Paragraph 118.*—It is hoped that in future contracts of such magnitude every possible precaution will be taken to safeguard the interests of Government."

40. *Paragraph 164.*—Attention is invited to paragraph 28 of my letter forwarding the Audit report for 1924-25.

" 28. *Paragraph 92.*—The serious aspect of this case is that so large a sum (Rs. 40,000) was placed at the disposal of a non-Government Committee as a contribution to a non-Government school which did not exist. As, however, the officer concerned has since retired and no loss occurred, I am not prepared to press for any further action."

41. *Paragraphs 170 and 178, 186 and 190.*—I invite attention to paragraph 25 of my letter forwarding the Audit report.

"25. *Paragraphs 79-B and 87 to 92.*—The drawal of money in advance of requirements not only involves risk of loss (*vide* paragraph 21 of my letter No. 379-Admn./588-24, dated the 5th March 1925, forwarding the Audit Reports for 1923-24), but falsifies the accounts and nullifies the control over expenditure by the Legislature and Government. The failure of the important bank referred to in some of these paragraphs has shown conclusively the risk of loss entailed by this irregularity. In connection with paragraph 3 (iv) of the Accountant General, Central Revenues' Audit Report for 1923-24, the Central Public Accounts Committee in their third meeting, dated the 7th August 1925, expressed the opinion that the attention of disbursing officers should be drawn to this type of irregularity. This class of irregularity has always been in evidence and I am of opinion that no improvement can be hoped for until deterrent disciplinary action is taken in a few typical cases and circulated to other officers as a warning. This sort of irregularity is often committed with the object of avoiding the lapse of budget grants. Attention is therefore invited to paragraph 23 of my comments forwarding the Accountant General, Central Revenues' Audit Report for 1923-24, the method suggested in which would render it unnecessary to draw money with the object specified above."

42. *Paragraph 174.*—Attention is invited to paragraph 43 of my comments on the Audit report for 1924-25.

" 43. *Paragraph 128-A.*—It is strange that a grant which has been sanctioned for disbursement to a Municipality should have been so disbursed as never to appear in the accounts of that

Municipality and that the amount was never expended through the agency of the Municipality. The orders of Government are awaited."

43 *Paragraph 184, last sub-paragraph* —I endorse the view given by the Accountant General at the end of this sub-paragraph. It raises the question whether a Treasury officer should be a subordinate of the Collector.

44. *Paragraph 189* —Attention is invited to my comments in paragraph 46 of the letter forwarding the Audit report.

" 46. *Paragraph 136* —Unless this heavy rush of payment at the end of the year can be avoided I shall have to consider whether I can continue the system of pre-audit "

45. *Paragraphs 195* (*c*) *and 201* (*a*).—Attention is invited to the delay on the part of the Local Administration in passing orders on the matters brought to light in these paragraphs or in communicating those orders to audit.

46 *Paragraph 197* —Non-compliance with the prescribed rules regarding the revaluation of stock with reference to market rate is a serious irregularity Attention is also invited to the suggestion at the end of this paragraph

47. *Paragraph 199* (*b*) —Attention is invited to paragraph 16 of my letter forwarding the Audit report for 1924-25

" 16 *Paragraph 27.*—The importance of stock accounts and control does not seem to have been realised by those concerned I agree, therefore, with the Accountant General that the action of the Local Administration in this case seems inadequate in so far as serious notice was not taken of the deliberate alteration of figures and of the neglect in supervision on the part of the officer responsible "

48. *Paragraph 201* (*b*) —The irregularity brought to notice in this paragraph is serious. In passing orders on this case, the New Capital Committee will no doubt bear in mind that the fundamental rule, *viz*, that accounts must represent facts, has been infringed as the report of the Chief Engineer shows.

49 *Paragraph 201* (*c*) —The losses on account of manufacture operations mentioned in this paragraph are considerable

50 *Paragraph 207, last sub-paragraph* —In this connection, I invite a reference to the comments at the end of paragraph 201 (*a*) of this report

51 *Paragraph 210* (*a*) —The loss brought to notice in this paragraph is considerable and the questions raised at the end of this paragraph require careful consideration

52 *Paragraph 212* —My comments in paragraph 33 *ante* hold good in this case

53 *Paragraphs 214* (*b*), (i) *and* (ii) *and* (*c*) —Attention is invited to paragraph 4 of my comments on the Audit report for 1924-25—

" 4 In addition, I would mention (iv) mis-representation of facts, or manipulation of accounts to avoid audit objections (*vide* paragraphs 11 to 15 of the Report), and (v) irregularities in connection with the supply, etc , of furniture to high officials (*vide* paragraphs 13 and 14 of the Report) "

54. *Paragraph 215* —Attention is invited to paragraph 24 of my comments on the Audit report for 1924-25—

" 24 *Paragraph 72* —The Government of India will no doubt view with serious concern the probability of a large excess over the estimate "

55 *Paragraph 225, Item No 6* —Paragraph 17 of the Government of India, Finance Department, Resolution No D -1089-A , dated 1st June 1926, shows that a decision on the general question of placing *gross* or *net* grants before the Legislature will be issued shortly This decision will presumably cover the case of Stamps, Stationery and Printing

56. I offer the following detailed comments on the Appropriation accounts :—

57. *Grant No. 1-A. 11.*—The explanation indicates defective preparation of the budget estimates.

58. *Grant No. 2 A (6) (7).*—It is not clear why the excess under this head was not provided for.

59. *Grant No. 3—Account II—Explanation G.-6.*—Formal transfer of funds should have been made from G.-2 and other sub-heads where there were savings.

60. *Grant No. 3—Account No. II—Explanation H.-1.*—The explanation given in clause (*a*) raises the question whether it is desirable to make budget provision until detailed estimates have been prepared and sanctioned.

61. *Grant No. 15—Account I—F.-6 and F.-7.*—I do not accept the view that an adjustment on account of Telephone charges could not be foreseen. It must have been known that the telephones would have to be paid for.

62. *Grant No. 15—Account No. X—Notes.*—The original budget provision for the Medal Section seems to have been very inadequate.

63. *Grant No. 15—Account No. XIII—A. and C.*—Here also the original budget provisions seem to have been very inadequate.

64. *Grant No. 19—Explanation C.-4.*—The carry forward of the liability mentioned in this explanation is *prima facie* an infringement of the provisions of Article 87, Civil Account Code, Volume I, and the Accountant General should have worded the comment so as to show whether there was an irregularity or not.

65. *Grant No. 20—E.-2 (1) and E.-2 (2).*—Budget provision should be made under the head under which the expenditure will be finally recorded in the accounts.

66. *Grant No. 22, A.-1 voted—Explanation, Grant No. 50, Account IX—Explanation B.-3 (2).*—It is presumed that Government will see that provision is correctly made in later estimates.

67. *Grant No. 24—Explanation B.-2.*—It is presumed that the liability of 91 due to non-receipt of Exchange Account debits was taken into account in framing the estimates for 1925-26.

68. *Grant No. 24—Explanation B.-5 (2).*—The excess under this head seems to indicate that budgeting was defective.

69. *Grant No. 38-B.—Head C. Explanation.*—The explanation relating to the saving in Madras raises the question why provision was made in the budget before the posts were sanctioned by competent authority.

70. *Grant No. 39—Explanation E.-1.*—The Public Accounts Committee may like to enquire why provision for the full liability was not made at the time of preparation of the budget and why provision of funds was not subsequently made for it in time.

71. *Grant No. 39—Explanation E.-3.*—The Public Accounts Committee may wish to investigate the defect in budgeting, seeing that the arrear adjustment was not made in 1923-24 and yet no provision was made for this in the estimate for 1924-25.

72. *Grant No. 40—Account II—Explanation B.*—The term " General List officers of the Finance Department " used in the last line of the explanation is obsolete and should have been " General List officers of the Indian Audit and Accounts Service ".

73. *Grant No. 41—Explanation A.-2, B.-2 and B.-3.*—It is not clear why formal transfer of funds was not made between these heads to cover the excesses under B.-2 and B.-3.

74. *Grant No. 43.*—The explanations given under this grant show that there are many cases of excesses within the grant uncovered by re-appropriation indicating that the control over expenditure is inadequate and that the need for re-appropriation in these cases has been overlooked

75. *Grant No. 45 II-1-Non-voted.*—It is not clear why transfer of funds was not made from voted to non-voted to provide for the excess under the latter.

76. *Grant No. 46—Explanation W.-3 (1) and (2) and A. G.'s notes under W.-3 (1).*—I invite attention to paragraph 15 of my letter forwarding the Appropriation Report of the Postal and Telegraph Department for 1924-25.

77. *Grant No. 47—Explanation A -1.*—As the provision of 70,000 for this expenditure exists under 'voted' the correct procedure would have been to transfer this appropriation from voted to non-voted

78. *Grant No. 47—Explanation A -2 voted* —Here also, the correct procedure would have been to transfer 5,000 from voted to non-voted

79. *Grant No 50—Account I C -2* —The explanation given for the non-utilisation of 1,600 in the Punjab raises the question why provision was made in the budget for unsanctioned schemes

80. *Grant No. 50—Account IV—Explanation E -5—Grant No 50—Account V—Explanation C.-1 voted* —It is presumed that in these cases, provision is correctly made in later estimates

81. *Grant No. 50—Account No IX—B.-1 (4).*—Leaving out the adjustment under this head of wireless charges amounting to 32, the actual expenditure was 3,98 which was considerably more than the original budget provision. It is not clear why the grant was reduced to 3,29 .

82 *Grant No 52—Account IX B.*—The Public Accounts Committee may like to investigate the system of determining grants as it seems *prima facie* undesirable that the executive should be able to award grants to an amount over 3 times as much as the original appropriation

83. *Grant No. 52—Account IX—Explanation G -1* —The original budget was defective as the expenditure was correctly adjustable under II Necessary transfer of funds should have been made to cover the excess under the latter

84. *Grant No 53—Accountant General's note under Account VI—Refunds* —I invite the special attention of the Public Accounts Committee to the irregular re-appropriation sanctioned by the Local Administration mentioned by the Accountant General in this note

85. *Grant No. 53—Account VII—C-Non-voted* —It is not clear why no action was taken by the Local Administration in spite of the excess having been brought to notice in December 1924

86. *Grant No. 54—Account 1—Explanation C.-1, C.-2, C -3 and C -5—Grant No. 56—Account IV—Explanation G—Bangalore—Account II—Explanation C -2* —The explanations indicate defective budgeting

87. *Political—Note under this grant.*—I invite the attention of Government to the Accountant General's note under this grant.

88. *Bangalore—Account III—Explanation A -4.*—Late receipt of debits is not an adequate excuse. If there were proper control these liabilities would be known and due provision would be made to meet them.

89. *Bangalore—Account III—Explanation E.*—It is not clear why transfer of funds was not made from sub-head F to cover the excess under this head.

90. *Bangalore—Account IV—Accountant General's notes.*—I invite the attention of the Public Accounts Committee to the Accountant General's note in the last sub-paragraph of notes

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STATEMENT A.

Consolidated Statement of all Central Grants and Expenditure (Civil, Posts and Telegraphs, Railways and Military).

Number and name of Grant.		Final Grant.	Expenditure.	Expenditure compared with Grants. *More than granted.*
Report prepared by the Accountant General, Central Revenues.				
1. Customs ...	Voted ...	72,37,000	66,07,311	...
	Non-voted	*9,64,405*	*9,50,895*	...
2. Taxes on Income	Voted ...	61,32,000	56,91,566	...
	Non-voted	*3,37,871*	*2,67,172*	...
3. Salt ...	Voted ...	1,06,55,000	89,50,282	...
	Non-voted	*37,43,825*	*37,26,894*	...
4. Opium ...	Voted ...	2,38,64,000	2,34,14,347	...
	Non-voted	*96,000*	*92,807*	...
5. Land Revenue ...	Voted ...	1,000	...	...
	Non-voted	*17,000*	*1,363*	...
6. Excise ...	Voted ...	4,000	...	...
	Non-voted	*5,000*	*559*	...
7. Stamps ...	Voted ...	12,19,000	8,41,191	...
	Non-voted	*3,225*	*2,368*	...
8. Forest ...	Voted ...	7,79,900	6,67,920	...
	Non-voted	*4,07,825*	*3,95,006*	...
10. Irrigation, etc....	Voted ...	18,02,000	16,23,866	...
	Non-voted	*1,72,000*	*1,30,115*	...
13. Interest on ordinary Debt and Reduction or Avoidance of Debt.	Voted ...	21,06,000	19,06,543	...
	Non-voted	*14,26,40,000*	*14,87,22,619*	*60,82,619*
14. Interest on Miscellaneous Obligations.	Voted ...	3,62,92,000	3,60,75,015	...
	Non-voted	*1,16,000*	*1,06,275*	...
15. General Administration.	Voted ...	72,90,000	66,62,410	...
	Non-voted	*37,03,439*	*35,87,724*	...
16. Audit ...	Voted ...	76,45,000	70,04,295	...
	Non-voted	*6,26,730*	*5,78,260*	...
17. Administration of Justice.	Voted ...	46,000	44,897	...
	Non-voted	*49,007*	*24,404*	...
18. Jails and Convict Settlements.	Voted ...	5,000	759	...
	Non-voted	*15,000*	*12,181*	...
19. Police ...	Voted ...	2,41,000	2,29,768	...
	Non-voted	*8,92,699*	*8,24,626*	...
20. Ports and Pilotage.	Voted ...	12,94,000	12,24,725	...
	Non-voted	*11,84,000*	*11,45,350*	...
21. Survey of India	Voted ...	23,48,000	24,61,327	1,13,327
	Non-voted	*7,69,000*	*7,21,329*	
22. Meteorology ...	Voted ...	6,35,000	6,18,292	...
	Non-voted	*51,000*	*49,233*	...
23. Geological Survey.	Voted ...	2,20,000	1,62,894	...
	Non-voted	*4,10,000*	*2,95,545*	...
24. Botanical Survey.	Voted ...	6,41,000	3,64,960	...
	Non-voted	*21,000*	*19,982*	...
25. Zoological Survey.	Voted ...	1,47,000	1,41,218	...
	Non-voted	*5,250*	*4,914*	...
26. Archæology ...	Voted ...	12,29,000	12,86,702	57,702
	Non-voted	*1,09,000*	*86,337*	...
27. Mines ...	Voted ...	1,40,000	1,26,650	...
	Non-voted	*91,920*	*90,328*	...
28. Other Scientific Departments.	Voted ...	5,36,000	4,37,840	...
	Non-voted	*89,000*	*1,29,099*	*40,099*
29. Education ...	Voted ...	3,81,000	3,82[illegible]	1,546
	Non-voted	*38,210*	[illegible]	[illegible]
30. Medical Services.	Voted ...	7,79,000		[illegible]
	Non-voted	*4,03,767*		[illegible]
31. Public Health ...	Voted ...	9,55,000		[illegible]
	Non-voted	*1,82,286*		[illegible]

Number and name of Grant.		Final Grant.	Expenditure.	Expenditure compared with Grants. More than grant (+)

Report prepared by the Accountant General, Central Revenues—contd.

Number and name of Grant.		Final Grant.	Expenditure.	More than grant
32. Agriculture ...	Voted ...	19,18,000	16,[illegible],413	...
	Non-voted	*2,77,007*	*2,17,229*	..
33. Civil Veterinary Services.	Voted ...	6,45,000	6,58,295	13,295
	Non-voted	*77,065*	*73,623*	
34. Industries	Voted	25,23,000	25,11,694	
	Non-voted	*36,19,527*	*35,80,265*	
35. Aviation	Voted ...	19,000	17,503	
	Non-voted	*2,500*	*1,857*	
36. Commercial Intelligence	Voted	2,72,000	2,65,828	
	Non-voted	*28,000*	*31,137*	*3,137*
37. Census ...		1,000	3,330	2,[illegible]
38-A.—Emigration—Internal.	Voted	57,000	46,120	...
	Non-voted	*6,000*	*6,000*	
38-B.—Emigration—External	Voted	99,000	91,785	
	Non-voted	*25,300*	*25,986*	*686*
39. Joint Stock Companies		1,32,000	1,33,183	1,183
40. Miscellaneous Departments.	Voted	14,47,000	12,03,915	..
	Non-voted	*2,30,280*	*2,31,535*	*1,255*
41. Currency	Voted .	37,58,000	33,78,224	
	Non-voted	*1,51,611*	*1,28,589*	
42. Mint	Voted	13,03,000	12,60,340	
	Non-voted	*1,25,650*	*1,07,708*	
43. Civil Works	Voted	1,39,69,000	1,18,81,315	
	Non-voted	*68,77,860*	*58,11,500*	
44. Famine Relief ..		14,000		
45. Superannuation Allowances and Pensions.	Voted .	33,00,000	35,63,167	2,63,167
	Non-voted	*2,55,30,910*	*2,10,11,567*	
46. Stationery and Printing.	Voted ...	48,38,000	32,88,601	..
	Non-voted	*1,10,900*	*1,01,180*	
47. Miscellaneous ...	Voted .	18,22,000	17,13,761	
	Non-voted	*29,37,128*	*29,60,529*	*23,401*
48. Adjustments with Provincial Governments.	Voted ...	22,65,000	13,78,144	..
	Non-voted	*36,95,700*	*36,95,981*	*281*
49 Refunds ...	Voted ..	94,83,000	96,64,548	1,81,548
	Non-voted	*1,36,10,000*	*3,85,50,911*	...
50. North-West Frontier Province	Voted	1,09,38,000	1,05,02,234	..
	Non-voted	*1,18,61,868*	*1,15,51,029*	...
51. Baluchistan ...	Voted .	26,25,000	27,65,733	1,40,733
	Non-voted	*17,49,900*	*16,00,121*	
52 Delhi ..	Voted .	31,52,000	29,46,626	
	Non-voted	*5,10,719*	*3,68,621*	
53. Ajmer-Merwara	Voted ...	14,96,000	12,82,408	
	Non-voted	*1,35,000*	*1,40,265*	*5,265*
54 Andamans and Nicobar Islands.	Voted	39,62,000	36,97,858	
	Non-voted	*1,67,001*	*1,76,127*	*9,126*
55. Rajputana ...	Voted ..	4,74,000	4,30,070	
	Non-voted	*10,11,300*	*9,68,957*	
56. Central India ...	Voted ..	6,53,000	6,59,739	
	Non-voted	*7,83,910*	*7,01,355*	.
57. Hyderabad .	Voted	2,08,000	1,76,889	
	Non-voted	*3,79,100*	*3,58,613*	
58. Expenditure in England under the control of the Secretary of State for India.	Voted ...	25,20,000	23,84,704	
	Non-voted	*8,69,000*	*8,25,127*	...
59. Expenditure in England under the control of the High Commissioner for India.	Voted ...	47,30,000	38,74,411	.
	Non-voted	*22,16,000*	*27,86,311*	
Ecclesiastical ...	...	*30,20,133*	*28,57,893*	
Political ...	...	*1,81,29,117*	*1,69,02,201*	.

Number and name of Grant.	Final Grant.	Expenditure.	Expenditure compared with Grants. *More than granted.*
Report prepared by the Accountant General, Central Revenues—concld.			
Territorial and Political Pensions	*30,57,884*	*29,16,514*	...
Extraordinary Payments ...	...	*1,01,635*	*1,01,635*
Bangalore	*23,53,918*	*22,70,172*	...
60-A. Irrigation Works not charged to Revenue ...	15,000	95,898	80,898
62. Delhi Capital Outlay. Voted ...	1,42,97,000	1,37,98,125	...
Non-voted	*4,15,000*	*4,20,743*	*5,743*
63. Interest-free Advances ...	5,90,89,000	5,39,66,924	...
64. Loans and advances bearing interest	14,15,26,000	11,77,37,318	...
Report prepared by the Accountant General, Posts and Telegraphs.			
11. Indian Posts and Telegraph Dept. Voted ...	8,27,53,000	8,41,81,692	14,28,692
Non-voted	*86,15,000*	*81,09,903*	...
12. Indo-European Telegraph Dept. Voted ...	34,47,000	30,07,429	...
Non-voted	*5,50,000*	*4,63,487*	...
61. Capital Outlay on Telegraphs—Voted	1,73,95,000	1,17,55,881	...
Report prepared by the Accountant General, Railways.			
Railway expenditure met from Revenue. Voted ..	67,46,60,000	61,38,89,913	...
Non-voted	*25,28,10,000*	*24,38,91,151*	...
Railway expenditure charged to Capital. Voted ..	29,97,61,000	13,41,83,047	...
Non-voted	*4,09,000*	*4,15,309*	...
Report prepared by the Financial Adviser, Military Finance.			
Army—India ... *Non-voted.*	*46,85,97,377*	*44,85,65,607*	...
" England ... "	*10,36,88,000*	*9,82,39,988*	...
Marine—India ... "	*66,76,000*	*52,18,321*	...
" England ... "	*20,96,000*	*21,92,396*	*96,396*
Military Engineer Services—India ... "	*4,32,82,339*	*4,20,54,793*	...
Military Engineer Services—England ... "	*5,55,000*	*5,30,287*	...
Totals Voted ...	1,48,93,18,900	1,24,26,47,623 (*a*)	...
Totals *Non-voted*	*1,18,24,63,084*	*1,13,98,04,938* (*b*)	...
Grand Total ...	2,67,17,81,984	2,38,24,52,561	

(*a*) This amount is less than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for 1924-25 by Rs. 5,99,78,197 owing to the following adjustments:—

	Rs.
(1) Railways	—6,38,07,197
(2) Railways (working expenses)	+38,29,000

(1) Represents Surplus Railway Revenue transferred to Reserve but not included in the appropriation accounts.

(2) Represents the amount adjusted during the year owing to the difference in book value and market rate of stores, *vide* footnote on page 57 of the Railway Appropriation Report.

(*b*) This amount is less than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for 1924-25 by Rs. 60,61,114 owing to the following adjustments:—

	Rs.
(1) Refunds	+1,20,587
(2) Discharge of Debentures	—63,31,216
(3) 48—Army	+1,49,515

(1) Represents the amount of refunds excluded by the Chief Accounting officer to the High Commissioner from his appropriated account on which the figures in the Finance and Revenue Accounts are based but included by the Accountant General, Central Revenues, in his appropriation accounts, *vide* explanation under Grant 59.

(2) Represents payments in connection with the discharge of Railway Companies Debentures in England which were not included in the Appropriation Report.

(3) Represents the credit of Army Unaudited expenditure adjusted in the Finance and Revenue Accounts but not taken into Account in the Appropriation Report.

STATEMENT B.

Statement showing excesses over Voted Grants which require the sanction of the Legislature.

Item No	Name of Grant	Final Grant	Actual expenditure	Excess requiring sanction of the Legislature.
1	21.—Survey of India . .	23,48,000	24,61,327	1,13,327*
2	26.—Archæology	12,29,000	12,86,702	57,702
3	29.—Education . . .	3,81,000	3,82,546	1,546
4	33.—Civil Veterinary Services .	6,45,000	6,58,395	13,395
5	37.—Census	1,000	3,330	2,330
6	39.—Joint Stock Companies .	1,32,000	1,33,483	1,483
7	45.—Superannuation Allowances and Pensions	33,00,000	35,63,167	2,63,167
8	49.—Refunds	94,83,000	96,64,548	1,81,548
9	51.—Baluchistan	26,25,000	27,65,733	1,40,733
10	60-A.—Irrigation not charged to Revenue	15,000	95,898	80,898
11	11.—Indian Posts and Telegraph Department	8,27,53,000	8,41,81,692	14,28,692

*The excess over the grant which really requires the sanction of the Legislative Assembly may be taken as Rs 70,825 as explained by the Accountant General Central Revenues, in paragraph 9 of his report on the accounts of Central Civil transaction for 1924-25

STATEMENT C.

Statement showing excesses over Non-voted Grants which require the sanction of the Government of India, Finance Department.

Item No.	Name of Grant	Final Grant	Actual expenditure	Excess requiring the sanction of the Government of India.
1	13.—Interest on Ordinary Debt and Reduction or Avoidance of Debt.	14,26,40,000	14,87,22,619	60,82,619
2	28.—Other Scientific Departments . .	80,000	1,20,089	40,089
3	36.—Commercial Intelligence . .	28,000	31,157	3,157
4	38-B.—Emigrations—External	25,300	25,986	686
5	40.—Miscellaneous Departments	2,30,280	2,34,535	4,255
6	47.—Miscellaneous	20,37,128	20,60,529	23,401
7	48.—Adjustments with Provincial Governments	36,95,700	36,95,981	281
8	53.—Ajmer-Merwara	1,35,000	1,40,365	5,365
9	54.—Andaman and Nicobar Islands .	1,67,001	1,76,127	9,126
10	Extraordinary payments .		1,01,635	1,01,635
11	62.—Delhi Capital outlay	4,15,000	4,20,743	5,743
12	Marine—England	20,96,000	21,92,296	96,296

Enclosure I (*b*).

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 705-ADMN./306-26, DATED THE 9TH JULY 1926.

SUBJECT:—*Home Auditors Reports for 1924-25 of the Secretary of State in Council and of the High Commissioner for India on account of the Central Government under heads other than those relating to Military Services.*

In continuation of my letter No. 704-Admn./83-26, dated the 9th July 1926, I have the honour to forward herewith a copy of each of the accounts for 1924-25 Central expenditure incurred by the Secretary of State in Council and of the High Commissioner for India together with a copy of the Home Auditor's reports on each of these accounts.

2. Section I of the reports deals with Receipts and Expenditure on behalf of the Central Government under heads other than those relating to Military Services and I offer the following comments on this Section of the reports:—

(i) *Report on the accounts of the High Commissioner.*

(*a*) *Paragraph 3.*—In view of the long delay that has occurred in the settlement of this case, the Public Accounts Committee may wish to express the hope that the liability for the outstanding claim should be determined at an early date.

(*b*) *Paragraph 6(3)—second sub-paragraph.*—I am in complete agreement with the remarks of the Home Auditor contained in the last seven lines of this sub-paragraph.

(*c*) *Paragraph 6(10).*—This case is brought to the notice of the Public Accounts Committee as the Home Auditor is of opinion that in the case reported there has been a breach of the first canon of financial propriety.

(*d*) *Paragraph 10.*—The Public Accounts Committee will no doubt be pleased to see the large profit which has been made by working enemy ships.

(*e*) *Paragraphs 13 and 14.*—I invite attention to the over estimating brought to light in these paragraphs.

(ii) *Report on the accounts of the Secretary of State.*

(*a*) *Paragraph 3 and elsewhere.*—As in last year the total saving to the Government of India as a result of audit is appreciable and indicates the extent to which the Home Auditor watches the financial interests of India.

(*b*) *Paragraphs 4 and 5.*—The Public Accounts Committee may wish to express the hope that these important questions, which have remained unsettled so long, will be determined at an early date.

(*c*) *Paragraphs 23 and 24.*—As in comment (*d*) on the report of the High Commissioner.

(*d*) *Paragraph 29.*—The advance to which attention is drawn in this paragraph is of an unusual character.

(*e*) *Paragraph 30.*—The Public Accounts Committee may desire to know why no attempt was made in India to effect this recovery.

(*f*) *Paragraph 33.*—The question raised in the third sub-paragraph is important and the Public Accounts Committee may desire to ascertain how the matter now stands.

(*g*) *Paragraph 35*—

(i) Special attention is invited to the remark of the Auditor pointing out the unnecessary provision of £13,200 obtained by Supplementary votes.

(ii) The net excess of £473 referred to in the third sub-paragraph is offset by a saving of 1,99 in the voted grant No. 13 as a whole.

Enclosure II (*a*).

No. 578-ADMN./57—26.

OFFICE OF THE AUDITOR GENERAL, DELHI

FROM

SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S.,
AUDITOR GENERAL IN INDIA,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE DEPARTMENT,
SIMLA

Dated the 4th June 1926.

SUBJECT.—*Appropriation Report on the accounts of Army, Marine and Military Engineer Services for the year 1924-25*

SIR,

I have the honour to forward, herewith, two copies of the Appropriation Report on the Accounts of the Army, Marine, and Military Engineer Services for the year 1924-25 prepared by the Financial Adviser, Military Finance. The Appropriation Report on the accounts of Army, Marine and Military Engineer Services for 1923-24, prepared by the Military Accountant General, was forwarded to the Financial Adviser, Military Finance, with my No. 738-Admn./41—25, dated the 19th May 1925 and was dealt with by a committee specially appointed to examine it. I propose to deal first with the action taken on the recommendations of that committee.

2. With reference to paragraph 1 of the proceedings of the committee, the present report has been prepared by the Financial Adviser, Military Finance. My comments on the adequacy or otherwise of the explanations now given will be found in my remarks dealing with the body of the report for 1924-25.

3 I have addressed the Financial Adviser, Military Finance, on the subject referred to in paragraph 2 of the committee's proceedings, namely, the possibility of assimilating the Indian Appropriation Reports to the corresponding British reports. I am hoping shortly to have a conference with the Financial Adviser, Military Finance, on this subject the results of which will be laid before the committee when considering this year's Appropriation Accounts.

The account suggested in paragraph 2 (1) of my covering letter forwarding last year's report has been introduced and appears at the commencement of Part II as paragraphs 27 and 28 of the report now under review.

4. With reference to paragraph 4 of the proceedings, I have embodied in a separate paragraph, below, my remarks on the subject of reappropriations between sub-heads etc., in the Army, Military Engineer Services and Marine Departments.

5. With reference to paragraph 5 of the proceedings, the report of the Army Accounts Committee has been published, but has not yet been dealt with.

6. With reference to paragraph 6, attention is invited to paragraph 3 of the Appropriation Report for 1924-25. This paragraph explains that the revised estimate is really used mainly for purposes of framing the following year's budget figures. It is also relied upon in re-allotting grants during the year, the expenditure being compared with the original grant.

7. With reference to the remarks in paragraph 7 on the speeding up of the processes of compilation and estimation and of co-ordination and scrutiny of the estimates and of records of expenditure, it is too early to comment on the results, as any such change in system must be given an opportunity of making itself felt over a longer period than has elapsed since its introduction. It will be seen that this subject is also referred to in paragraph 18 of the current year's report.

8. Beyond the remarks on the subject of re-appropriations offered below so far as they are relevant, no comment appears necessary on paragraph 8 of the committee's proceedings.

9. *Paragraphs 9 to 13.*—No remarks.

10. With reference to paragraph 14 of the proceedings, a statement appears in paragraph 64 of the report showing the value of stores on 1st April 1924 and 31st March 1925 in Arsenals, Factories, etc., and in other units and formations. Comments are made on this subject in the body of the report. Further changes in the information on stores transactions seem to be an inevitable part of the change in form of accounts, a subject already referred to in paragraph 3 above.

11. With reference to paragraph 15 of the proceedings, a reference is invited to paragraph 21 of the Appropriation Report. The treatment of losses is still under consideration.

12. *Paragraphs 16 and 17.*—No remarks.

13. In paragraphs 65 to 69 of the report of the Public Accounts Committee on the accounts for 1923-24, the Audit and Appropriation Reports on the Army Accounts for 1923-24 were dealt with. The points raised so far as they refer to the Appropriation Report seem to be met by the above paragraphs dealing with the proceedings of the special committee.

Comments on the form in which the account is presented and the adequacy or otherwise of the explanatory remarks.

14. Turning to the current report, the following remarks are offered on the actual form in which the report has been presented and on the adequacy or otherwise of the explanatory remarks. These remarks are simply recorded for consideration as I am not myself responsible for the form of the report.

15. The minus signs in paragraph 3 against the transfers to Army—India from 50—Military Engineer Services, and Army—India from English Estimates are misleading. What is being shown is that Rs. 1,65* and Rs. 1,30* were transferred back to the Army from 50—Military Engineer Services, India, and from English Estimates respectively.

With reference to the remark in the statement in paragraph 3 " a book credit ", I append the following example. Horses and mules were purchased at a cost of Rs. 14,830: see Army Department letter No. 63472/1 (Q. 15), dated 26th January 1926. The charge appears on the charge side under Head IV.-K.—Animals—Northern Command and Rawalpindi

* In thousands.

District according to the Stock Book rate as Rs 28,240. The [illegible] between this figure and the actual cost, namely, Rs 13,410, appears [illegible] Head II.-D. as recoveries of departmental charges.

16. With reference to paragraph 5 of the report, it is thought [illegible] the brief explanation of the decline in expenditure between 1922-23 and 1923-24 should be substantiated by a comparison of the actual figures [illegible] the main sub-heads Similarly, a further elucidation of paragraph [illegible] might be of interest

17. With reference to paragraph 8 again, the explanation of the [illegible] 1924-25 as compared with 1923 24 seems to indicate that the [illegible] not due so much to an increase in the actual work of the Department [illegible] to various adjustments in the accounts of the respective years.

18. With reference to paragraph 25, Form A, India, and paragraph [illegible] of Section III, it is thought that the entries in the columns "[illegible] sanctioned by Government" should include only modifications [illegible] the total of the original grant The figures now given in columns 3 and 4 include transfers inside the grant

19 *Paragraph 26*—It will be seen that the net grant available [illegible] expenditure is shown as less than the original grant by Rs 3 [illegible] seems inconsistent with the figures given below paragraph 3 which [illegible] indicate a net addition to English Estimates under [illegible] Rs. 44,19,000. The explanation is to be found in paragraph 11 [illegible] it appears that though Army India funds were reduced by [illegible] corresponding addition was made in the English Estimates

20. As a comment on the explanation given in paragraph 31 of the excess of Rs. 38,00,000 over the grant under Fighting Services [illegible] draw attention to the following reappropriations:—

(1) *Statement accompanying Army Department [illegible] Accts (M A G), dated 28th March 1925* [illegible] Fighting Services Rs. 8,40,000 to Administration [illegible] Miscellaneous, Forces in Aden.

(2) *Army Department letter 3520*(Q. F. 1), dated* [illegible] Transfers Rs. 9,73,000 to Head II.-E. (f) [illegible] cost of stores in Ordnance Factories—English [illegible]

21. *Paragraph 32*—The explanation is not clear as [illegible] reduction under the head, *i e*, Head I.-A.—Administration [illegible] only Rs. 8,96,000—see column 6 of the statement in paragraph [illegible]

22. With reference to paragraphs 32 and 31, it might perhaps [illegible] stated where the saving of the lump cut of Rs. 45 lakhs actually [illegible]

23 *Paragraph 33*—The explanation can possibly be [illegible] Head I.-A. (IV)—Miscellaneous contains two sub-heads which bear no relation to each other whatever: (1) Pay and allowances [illegible] with King's Commissions, relating to officers unemployed or [illegible] ing for the Indian Army, and (2) Payments to War Office [illegible] stores taken to India with British Troops. The [illegible] haps read "Payments to War Office by I[illegible] The [illegible] ferred to in the expla[illegible] justing entry [illegible] English side c[illegible] made in the st[illegible] [illegible]erred to against [illegible] to the grant, the "payme[illegible] been made from Fighting Services

24. With reference to paragraph 20, B, C, D under [illegible] would invite a reference to paragraph 2 (iii) of my letter [illegible] year's report and would again suggest that the expenditure [illegible] heads might be analysed as has been done under Head A [illegible] proper and Burma.

25. With reference to paragraph 35, it may be noted that [illegible] appropriation of Rs 1,24,000 from Fighting Services to the [illegible] 28th of March 1925 in the statement already referred to, the [illegible] saving under this head.

* Item 7 of the list for 1924-25.

4. With reference to paragraph 4 of the proceedings, I have embodied in a separate paragraph, *below, my remarks on the subject of reappropriations* between sub-heads etc., in the Army, Military Engineer Services and Marine Departments.

5. With reference to paragraph 5 of the proceedings, the report of the Army Accounts Committee has been published, but has not yet been dealt with.

6. With reference to paragraph 6, attention is invited to paragraph 3 of the Appropriation Report for 1924-25. This paragraph explains that the revised estimate is really used mainly for purposes of framing the following year's budget figures. It is also relied upon in re-allotting grants during the year, the expenditure being compared with the original grant.

7. With reference to the remarks in paragraph 7 on the speeding up of the processes of compilation and estimation and of co-ordination and scrutiny of the estimates and of records of expenditure, it is too early to comment on the results, as any such change in system must be given an opportunity of making itself felt over a longer period than has elapsed since its introduction. It will be seen that this subject is also referred to in paragraph 18 of the current year's report.

8. Beyond the remarks on the subject of re-appropriations offered below so far as they are relevant, no comment appears necessary on paragraph 8 of the committee's proceedings.

9. *Paragraphs 9 to 13.*—No remarks.

10. With reference to paragraph 14 of the proceedings, a statement appears in paragraph 64 of the report showing the value of stores on 1st April 1924 and 31st March 1925 in Arsenals, Factories, etc., and in other units and formations. Comments are made on this subject in the body of the report. Further changes in the information on stores transactions seem to be an inevitable part of the change in form of accounts, a subject already referred to in paragraph 3 above.

11. With reference to paragraph 15 of the proceedings, a reference is invited to paragraph 21 of the Appropriation Report. The treatment of losses is still under consideration.

12. *Paragraphs 16 and 17.*—No remarks.

13. In paragraphs 65 to 69 of the report of the Public Accounts Committee on the accounts for 1923-24, the Audit and Appropriation Reports on the Army Accounts for 1923-24 were dealt with. The points raised so far as they refer to the Appropriation Report seem to be met by the above paragraphs dealing with the proceedings of the special committee.

Comments on the form in which the account is presented and the adequacy or otherwise of the explanatory remarks.

14. Turning to the current report, the following remarks are offered on the actual form in which the report has been presented and on the adequacy or otherwise of the explanatory remarks. These remarks are simply recorded for consideration as I am not myself responsible for the form of the report.

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With reference to the remark in the statement in paragraph 3 " a book credit ", I append the following example. Horses and mules were purchased at a cost of Rs. 14,830: see Army Department letter No. 63472/1 (Q. 15), dated 26th January 1926. The charge appears on the charge side under Head IV.-K.—Animals—Northern Command and Rawalpindi

* In thousands.

District according to the Stock Book rate as Rs. 28,240 The difference between this figure and the actual cost, namely, Rs.13,410, appears under Head II.-D. as recoveries of departmental charges.

16. With reference to paragraph 5 of the report, it is thought that the brief explanation of the decline in expenditure between 1921-25 and 1923-24 should be *substantiated* by a comparison of the actual figures under the main sub-heads. Similarly, a further elucidation of paragraph 7 might be of interest.

17. With reference to paragraph 8 again, the explanation of the figures in 1924-25 as compared with 1923 24 seems to indicate that the increase was not due so much to an increase in the actual work of the Department but to various adjustments in the accounts of the respective years

18 With reference to paragraph 25, Form A, India, and paragraph 20 of Section III, it is thought that the entries in the columns " modifications sanctioned by Government " should include only modifications *affecting* the total of the original grant The figures now given in columns 3 and 4 include transfers inside the grant.

19 *Paragraph 26.*—It will be seen that the net grant available for expenditure is shown as less than the original grant by Rs 3,11,000 This seems inconsistent with the figures given below paragraph 3 which would indicate a net addition to English Estimates under 48—Army of Rs. 44,19,000. The explanation is to be found in paragraph 14 from which it appears that though Army India funds were reduced by 44,19, no corresponding addition was made in the English Estimates

20. As a comment on the explanation given in paragraph 31 of the excess of Rs. 38,00,000 over the grant under Fighting Services, I would draw attention to the following reappropriations —

(1) *Statement accompanying Army Department letter No 350/1-Accts. (M A G.), dated 28th March 1925* · Transfers from Fighting Services Rs. 8,40,000 to Administrative Services, Miscellaneous, Forces in Aden

(2) *Army Department letter 3520 *(Q F 1), dated 12th March 1925*. Transfers Rs. 9,73,000 to Head II -E (f) (ii) to cover the cost of stores in Ordnance Factories—English Expenditure.

21. *Paragraph 32.*—The explanation is not clear as the total gross reduction under the head, *i e.*, Head I -A —Administrative Services, is only Rs. 8,96,000—see column 6 of the statement in paragraph 29.

22. With reference to paragraphs 32 and 31, it might perhaps have been stated where the saving of the lump cut of Rs 45 lakhs actually did occur.

23. *Paragraph 33.*—The explanation can possibly be made clearer. Head I.-A. (IV).—Miscellaneous contains two sub-heads which seem to bear no relation to each other whatever: (1) Pay and allowances of officers with King's Commissions, relating to officers unemployed or under training for the Indian Army, and (2) Payments to War Office on account of stores taken to India with British Troops The latter head should perhaps read "Payments to War Office by India Office". The book credit referred to in the explanation can hardly be regarded as a saving. It is an adjusting entry in the India side of the Account to meet a payment entry in the English side of the account. An addition to the grant, Rs. 6,20,000 was made in the statement referred to against paragraph 31, the transfer having been made from Fighting Services.

24. With reference to paragraph 29, B, C, D under 48—Army, I would invite a reference to paragraph 2 (iii) of my letter forwarding last year's report and would again suggest that the expenditure under these heads might be analysed as has been done under Head A.—Forces in India proper and Burma.

25. With reference to paragraph 35, it may be noted that but for the reappropriation of Rs. 1,24,000 from Fighting Services to this head on the 28th of March 1925 in the statement already referred to, there would be no saving under this head.

* Item 7 of the list for 1924-25

33. *Paragraph 73.*—Under " Miscellaneous " shown in paragraph 71 is included an item of 25 lakhs on account of payment of customs duty on military stores. There is also an item of 11½ lakhs on account of conservancy charges hitherto met from Cantonment Funds It is suggested that actual expenditure in the case of such big items might be compared with the grant. Head VI is described as Miscellaneous Charges and Receipts. The receipts included, in 1924-25, an estimate of 13 lakhs on account of contribution by His Majesty's Government towards cost of transport of troops between England and India.

34. With reference to the explanation in paragraph 80, it may be noted that Rs 9,59,000 was reappropriated from Exchange under this head to Pensions and Rs. 23,000 from the same head to " Rewards for Military Services", sanction to the reappropriations being conveyed in letter No. 1000-E. (M. A. G.), dated 13th March 1925

35. With reference to paragraphs 83 and 84, it may be noted that Part B.—Auxiliary and Territorial Forces is divided up into six heads, namely:—

Estimated Expenditure

	Rs
A —Staff at Army Headquarters	57,000
B.—Staff at Headquarters of Commands	98,000
C.—Staff at Headquarters of Districts	1,15,000
D —Auxiliary Force	75,82,000
E —Territorial Force	29,83,000
F.—Stock Account	3,60,000

The Rs 3,60,000 against F.—Stock Account represents an estimated increase in the balance of Clothing Stock, no change in the balance under Ordnance Stock having been anticipated

36. *Paragraphs 85 to 89* —In the Consolidated Estimate, Part C.—Royal Air Force, including the Summary of Estimate, occupies 15 pages. It is suggested that it is hardly dealt with fully enough in the Appropriation Report

37 *Paragraph 116* —The head " *Deduct* English cost of stores " is purely an account entry in the India Accounts The cost of stores applied to works is charged to those works and appears as works expenditure The *minus* entry is necessitated by the fact that the combined India and English Account will again include the cost of those stores in the English portion of the account.

38. With reference to the appendix, I would only remark that the statistics of objections are not at present reliable.

Reappropriations within and between the grants under 48—Army, 49—Marine and 50—Military Engineer Services.

39 I attach a statement of reappropriations relating to the accounts of 1924-25 and also, to indicate that the practice in dealing with reappropriations is still the same, some instances of recent reappropriations I would invite the attention of the Committee to this statement The first point to which I would draw attention is the elasticity that is permitted. This is well illustrated in the whole statement accompanying Army Department letter 350/1-Accts (M A. G), dated 28th March 1925. Financial Adviser's No. 183-B , dated 31st March 1926 sanctioned reappropriations of a similar nature set forth in a similar statement. Another instance will be found in the reappropriation of Rs 9,73,000 from Head A.-Fighting Services to Head II E. (*f*) (ii) and another recent example is the transfer of 3 lakhs of rupees from 49.—Marine—Purchase of ships and vessels

to 50 —Military Engineer Services. The money was used in providing accommodation at Army Headquarters. This elasticity may be unobjectionable, so long as the total grant for the Military Services is not exceeded. I feel, however, that I should draw attention to it.

40. The next point inviting consideration is that these reappropriations appear to indicate faulty estimation. For example, in the statement already quoted relating to 1924-25 an addition of Rs. 31,81,000 is made to the Working Expenses of Depots, etc. An addition of Rs. 20,58,000 is made to the provision for the purchase of mechanical transport. Reduction of Rs. 35,94,000 was possible and made from the provision for the purchase of animals and a deduction of Rs. 14,79,000 was made from the provision for Working Expenses of Hospitals.

41. Instances occur in which the head IV—L figures in reappropriations. A case will be found in the 1924-25 list and a case in the list of later reappropriations mentioned above. My objection to this is that IV-L is not a final head of account. It is not even a suspense head in the same sense that heads IV-A to K are suspense heads. Head IV-L is a transit head: It receives debits for payments in India by *per contra* credits to Civil Remittances: This is the process of accounting for payments by cheques. The head is cleared to the Stock head concerned, the stores being brought on to the Stock head at Stock book rates, the difference between this figure and the actual cost being treated as a receipt—Recovery of departmental charges, etc. It is submitted that there are no funds to transfer under a transit head of this sort. Specific instances will be found at No. 17 of the list of reappropriations for 1924-25, at Nos. 4 and 10 of the list of recent reappropriations and in the statement of general reappropriations which issued with Financial Adviser's letter referred to above dated 31st March 1926.

42. It seems to be a matter for consideration how far large adjustments of excesses and deficits at the close of the year indicate inaccurate estimating at the beginning of the year and inadequate control during the course of the year over the expenditure of the Army. I do not wish to be misunderstood as implying that the Army expenditure is not controlled. I refer here solely to that control which can be exercised by watching the progress of expenditure against the sum provided to be spent.

Comments on the actual figures of the Appropriation Report.

43. I offer the following remarks on the actual figures though it will be seen that my comments on the adequacy of the explanation and on the actual form of the report taken with the remarks I have offered on the subject of reappropriations also constitute remarks on the figures themselves.

44. *Paragraph 45.*— I submit that the statement that the actual expenditure is *minus* 2,62,000 is not informative. Into nearly all the figures with which the report deals the " cost " element enters. The resultant combination of figures representing cash expenditure and value of stores consumed or produced is inevitably obscure in significance. The " cost " figures are very materially affected by adjustments depending on such matters as vocabulary rates, reconditioning of stores, etc., I have already pointed out with reference to this paragraph that it is extremely difficult to give clear explanations of figures which are in themselves unintelligible unless the details working up to them and the nature of these details are stated and considered.

45. With reference to paragraph 73, it would be of interest to know how much of the saving of Rs. 20,29,000 is due to over-estimation and how much to wrong classification.

46. (i) The total saving in India and England against the modified Army grant of Rs. 57,22,85,000 is Rs. 2,54,80,000. This is made up of the main items noted in the tables below, but in addition to these actual savings, it would appear that Rs. 44,19,000 was available for transfer from the India grant and was transferred from that grant. A similar sum was available in excess of requirements in the English grant. This points to an

over-estimation in the two grants of Rs. 89 lakhs. There was a further surrender of Rs. 6,30,000 in the original English grant. The surrender of the above amount seems to have been effected when the revised estimates were considered.

(ii) *Main items of saving—India—*

	Rs.
Head IV.—Stock Account	1,45,58,000
Head V.—Special Services . . .	14,41,000
Head VI.—Miscellaneous Charges .	13,65,000
Head VII.—Non-Effective Charges . . .	33,71,000
Auxiliary and Territorial Forces	24,58,000
Royal Air Force	4,59,000
TOTAL .	2,36,52,000

Main items of Excesses—India

	Rs
I.—Maintenance of the Standing Army . .	22,77,000
II.—Cost of Educational, etc., Establishments .	7,67,000
III.—Army Headquarters Staff at Commands, etc.	5,76,000
TOTAL	36,20,000

A net saving of about Rs 2 crores.

(iii) (*a*) The saving under head IV seems to be a larger absorption of balances of stock than was anticipated—see paragraph 29.

(*b*) The saving under head V is entirely due to Exchange.

(*c*) The saving under head VI is made up as follows Rs. 2,68,000 Exchange and Rs. 20,29,000 which is made up partly of actual short spending on transport of troops, etc., and partly as a result of misclassification, while there is an excess of Rs. 9,31,000 due to miscellaneous arrear adjustments.

(*d*) Of the saving under head VII, Rs. 15,02,000 is due to Exchange while of the saving of Rs. 18,28,000 shown against Pensions about Rs. 14 lakhs is due to a belated addition to the grant, a part of the addition, *viz*, 4,67,000 being drawn from a head under which there was an excess.

(iv) (*a*) The excess under the Maintenance of the Standing Army is a net figure, there having been an excess of Rs. 38,29,000 against Fighting Services and Rs. 16,14,000 against Administrative Services. The big item of saving which reduces this excess is Rs. 26,71,000 under Exchange.

(*b*) Against head II, the net figure of excess, Rs. 7,67,000, results from the following main items. An excess of Rs. 52,06,000 against Working Expenses of Depots, etc., against a saving of Rs. 16,16,000 against Educational and Instr[illegible] which Rs. 12,23,000 is attributed to smaller [illegible] on practice ammunition) and a saving of Rs [illegible] Expenses of Manufacturing Establishments in regard to which please see paragraphs 28 and 44.

(*c*) The excess under head III calls for no special remarks except that it would have been greater by Rs. 2,31,000 but for a saving due to smaller arrear expenditure connected with the closing of transactions of the old Munitions Board.

(*v*) The above analysis of the savings and excesses under the main heads indicates, it is thought, that the original budget estimating was not very accurate while the large excesses point to inadequate knowledge or appreciation of progress of expenditure and one is led to the reflection that exchange has come to the rescue of Army finances during the year to a very appreciable extent.

England.

(vi) (*a*) *48—Army.* Here there are uniform savings:—

	Rs.
Head I	7,06,000
Head II	99,000
Head III	28,000
Head IV	7,63,000
Head V	29,06,000
Head VI	2,52,000
Head VII	3,51,000
Royal Air Force	3,43,000
TOTAL .	54,48,000

(*b*) The following figures deserve comment. Under Stock Account the actual expenditure exceeded the original grant by over Rs. 18 lakhs. Of the saving under head V.—Special Services, the amount due to one item as explained in paragraph 70 of the report is 25 lakhs of rupees. Even if this saving had not occurred the actual expenditure would have been 5 lakhs less than the net grant and about 28 lakhs less than the original grant.

47. The details in the report do not enable me to offer any analysis of the figures against Part B.—Auxiliary and Territorial Forces or Part C.—Royal Air Force.

48. The information given in the report on 49.—Marine, paragraphs 90 to 108, seem to call for no special remarks.

49. *Paragraph 109 —50.—Military Engineer Services, India.*—The net saving of Rs. 12,28,000 is made up as follows. "Works" saving Rs. 14,40,000. Other items are less important and need not be specified. It will be seen that the saving is due to a lapse of Rs. 11 lakhs from the reserve of the Engineer-in-Chief which is not allotted and saving in lapses on individual works amounting to Rs. 9,16,000, there being a set off of Rs. 5,76,000 on account of arrear debit representing the military share of the railway laid out at Jamrud. The question of avoiding lapses in the Military Engineer Services and of avoiding rush of expenditure in March has received special attention during the year and reference is invited to Army Department letter No. 30869/1 (E. 5-A.), dated the 12th October 1925. It will be seen that one of the main objects of this letter is the timely surrender of allotments which can not be spent during the year and their application to works where they can be spent supplemented by arrangements for re-allotting lapses in the following year. The suspense item in works expenditure is bound to be a source of trouble. The policy now adopted in the Military Engineer Services is to confine this figure so far as they are concerned to stock suspense. Thus, the figure under Suspense would ordinarily be value of stock in hand not issued to works. In the past the meaning of this head has been very much confused by the presence under Suspense of various miscellaneous advances and deposits. For example, amounts due to the Indian Stores Department on account of stores purchased for the Military Engineer Services have been credited to Suspense pending the arrival of debits from the Indian Stores Department. This has been a source of trouble while Suspense is a grant head. The matter is still receiving consideration.

50. My remarks have run to some length on the Appropriation Accounts for 1924-25. I would again assert that I have no desire to cast reflection on the actual control of expenditure. My feeling is that the present system of accounts renders control through the accounts themselves a matter of the utmost difficulty if not indeed of impossibility.

Action taken on remarks by the Special Committee on the Audit Report on the Army, Marine and Military Works Accounts for 1923-24.

51. As the Audit Report for 1924-25 was ready before the Committee's remarks on the report for 1923-24, could be dealt with, I record here the action taken on those remarks. I do this in order that the chain of disposal of these reports may be continuous.

52. *Paragraph 4 of the committee's proceedings.*—The subject of progress of local audit continued to receive constant attention from Test Audit and will be commented on in the report for the year 1925-26. Local audits carried out by Test Audit have shown that the local audit by the Military Accounts Department is now fairly up-to-date generally The quality of the local audit varies considerably in different districts. In Burma, the Deputy Director of Army Audit, Eastern Command, brought to notice in his reports the excellent work done by the Local Audit Officers of the Military Accounts Department. It is expected that if the system of accounts is altered in the directions recommended by the Army Accounts Committee the importance of local audit would become very pronounced.

53. *Paragraph 5 of the committee's proceedings* —Instructions on the supervision of registers, etc., were issued to Controllers by the Military Accountant General in his No. 3536, dated 28th March 1924 Further orders dealing with the review of audit by Gazetted Officers issued in Military Accountant General's No. 2588, dated 20th November 1925. The latter orders were again supplemented by Military Accountant General's No 3335-At./C., dated 8th February 1926.

54. *Paragraph 6 of the committee's proceedings.*—It is not known whether an office manual has yet been prepared.

55. *Paragraphs 7, 8, 9 and 10.*—No remarks.

56 *Paragraph 11.*—The position of Suspense Accounts has received considerable attention during the year and is still receiving attention, and a considerable improvement has been effected.

57. *Paragraph 12.*—It is believed that the Auditor General's comments have been brought to the notice of the administrative authorities Irregularities such as those referred to in paragraph 22 of the Auditor General's covering letter are still coming to notice, but so far as Test Audit is concerned the expenditure in the Military Engineer Services incurred since the reorganisation of the Military Engineer Services and the publication of the new Military Engineer Services Account Code has been examined only once and the results of that examination are still under consideration. This is a subject bound to occur in every Audit Report The impression gained so far is that the administrative authorities welcome the assistance that audit can give them both from the Military Accounts Department and from the Test Audit Department.

58. *Paragraph 13 of the committee's proceedings.*—An enquiry into excessive payments to contractors is being conducted by Test Audit and will be referred to in next year's report.

59. *Paragraph 14 of the proceedings.*—No remarks.

60 With reference to paragraph 15 of the proceedings, a reference is invited to India Army Order 962 of 1925, in which the Government of India have decided that public funds of units and formations may be kept in a branch of the Imperial Bank of India, current accounts being opened by the Officers Commanding in their official capacity. The Military Accountant General has addressed the Adjutant General's Branch on the subject of issuing orders to officers to take full advantage of the above India Army Order.

India Army Order 259 of 1926 has since issued.

61. *Paragraph 16 of the committee's proceedings.*—This question of the lapse of time between the commission of an offence and its being brought to notice is receiving attention from Audit and will be referred to in next year's report.

62. *Paragraphs 17 and 18.*—No remarks.

63. *Paragraph 19.*—The result of the new procedure with regard to Railway Warrants will be commented on in next year's audit report: arrangements have been made to obtain the necessary information.

64. *Paragraphs 20, 21 and 22.*—No remarks.

65. *Paragraph 23.*—It is believed that this recommendation of the committee is still under consideration.

I have the honour to be,

SIR,

Your most obedient servant,

M. F. GAUNTLETT,

Auditor General.

Accompaniments.

1. Copy of Army Department, letter No. 350/1-Accts. (M. A. G.), dated 28th March 1925.
2. Copy of Financial Adviser (Military Finance), Memo. 183-B., dated 31st March 1926.
3. List of reappropriations, 1924-25.
4. List of reappropriations, 1925-26.
5. Copy of Army Department letter 63472/1 (Q.-15), dated 26th January 1926.

COPY OF A LETTER FROM THE GOVERNMENT OF INDIA, ARMY DEPARTMENT, TO THE CHIEF OF THE GENERAL STAFF, THE ADJUTANT GENERAL IN INDIA, THE QUARTERMASTER GENERAL IN INDIA, No. 350/1-ACCTS (M. A. G.), DATED THE 28TH MARCH 1925.

Reappropriations under Heads I, II, III, IV and VI of Part A of 48—Army in 1924-25.

I am directed to convey the sanction of the Government of India to the reappropriations shown in the attached statement within the Main Heads I, II, III, IV and VI of Part A. of 48—Army during 1924-25.

Statement showing the excesses anticipated under certain sub-heads of Heads I, II, III, IV and VI of Part A, 48—Army and how it is proposed to meet the same by reappropriation of savings under sub heads of the same Main heads in Part A of 48—Army.

Heads.	Sub-heads under which excesses anticipated and amounts of the excesses.		Sub heads under which savings will be utilized to meet the excesses shown in column 2 and amounts of savings utilized	
1	2		3	
I	India Proper and Burma—	Rs	India Proper and Burma—	Rs
	Administrative services	96,697	Fighting Services	96,697
	Miscellaneous	6,19,650	Ditto	6,19,650
	Forces in Aden	1,24,222	Ditto	1,24,222
		8,40,569		8,40,569
II	Working expenses of Depots, etc.	31,81,028	Educational and Instructional establishments.	8,10,613
			Army Education	4,24,400
			Working Expenses of Hospitals	14,79,100
			Working Expenses of Manufacturing establishments	1,90,764
			Inspection of Stores	1,69,690
			Ecclesiastical establishments	53,680
			Administration of Cantonments	52,772
		31,81,028		31,81,028
III	Embarkation staff	2,420	Staff of Commands	2,420
	Railway Transport Staff	43,518	Ditto	43,518
	Miscellaneous	1,11,220	Ditto	1,11,220
		1,57,158		1,57,158
IV	Provisions	11,10,000	Animals	11,10,000
	Ordnance	4,26,216	Do	4,26,216
	Mechanical Transport	20,57,650	Do	20,57,650
		35,93,866		35,93,866
VI	Transport of Troops and carriage of stores.	5,10,150	Exchange	5,10,150
	Miscellaneous	5,88,545	Do	5,88,545
		10,98,695		10,98,695

Enclosure No. 2.

COPY OF MEMO. FROM THE FINANCIAL ADVISER, MILITARY FINANCE, TO THE ARMY DEPARTMENT, NO. 183-B., DATED THE 31ST MARCH 1926.

The Army Department is informed that to meet excesses anticipated under certain sub-heads in 48—Army the utilisation of savings under certain other sub-heads in the same Major head is hereby sanctioned during 1925-26. A statement is attached showing the reappropriations sanceioned.

Statement showing the excesses anticipated under certain sub-heads of 48—Army in India in 1925-26, and the savings under other sub-heads of the same Major Head, the utilisation of which has been sanctioned in F. A. (M. F.'s) Memorandum No. 183-B., dated 31st March 1926.

Excesses.		Savings reappropriated.	
Sub-heads.	Amount.	Sub-heads.	Amount.
	Rs.		Rs.
Head I. Forces in India Proper and Burma—		Head VII. Rewards for Military Services.	13,000
Fighting services . .	11,49,180	,, Pensions	7,12,222
		,, Exchange	3,15,727
		Head VI-B. Miscellaneous . .	1,08,231
			11,49,180
,, Miscellaneous units . .	15,330	Head VI-B. Miscellaneous . .	15,330
,, Miscellaneous . . .	33,670	Ditto . .	33,670
,, Forces in Aden . .	8,96,551	Ditto . .	8,96,551
Head II. Exchange . . .	2,74,000	Ditto . .	2,74,000
Head III. Exchange . . .	1,11,330	Ditto . .	1,11,330
Head IV. Provisions . . .	17,11,960	Head IV Fuel and Light . .	150
		,, Miscellaneous stores .	14,400
		,, Animals . . .	47,137
		Head VII. Exchange . . .	16,50,273
			17,11,960
,, Ordnance	20,73,600	Head IV. Medical and Surgical Instruments.	1,17,000
		,, Clothing . . .	14,98,597
		,, Animals . . .	2,38,303
		,, Suspense . . .	2,19,700
			20,73,600
,, Mechanical Transport .	8,97,530	Head IV. Suspense . .	8,97,530
Head V. Exchange	31,000	Head VI-B. Miscellaneous . .	31,000
Head VI. Transport of Troops and carriage of stores.	4,92,220	Head VI-B. Miscellaneous . .	4,92,220
,, Exchange	1,57,080	Ditto . .	1,57,080
Part C. Exchange . . .	3,61,000	Head VI-B. Miscellaneous . .	3,61,000
	82,04,451		82,04,451

Enclosure No. 3.

List of Reappropriations, 1924-25.

A. D letter.	Name of work or object of Expenditure	Amount	Budget heads affected. From	Budget heads affected. To	REMARKS.
		Rs			
1 No 1913 (Q.-F.-1), dated 12th March 1925.	To provide for purchase of certain Ordnance Stores during 1924 25	6,67,000	48-Army—I A (1) Fighting Services	48-Army—IV-H Ordnance	
2. No 350-1-Accts. (M. A. G), dated 28th March 1925	To meet excess expenditure under certain heads of the Army Budget during 1924-25		(Please refer to letter)		
3. No [illegible]	To meet excess [illegible] ture by [illegible] ollege,	21,378	48-Army—IV L and IV H	48-Army—II-A (b) Staff College, Quetta Transportation charges and Postage	
4. No. 29561-9 (E.-4), dated 20th March 1925.	Certain works at the Grain Depots Lucknow and Peshawar.	10,526	48-Army—III-A (V) Controller of Contract Branch	50-M E S	*Ex post facto* sanction
5. 60161-1 (Q M. G.-3), dated 3rd March 1925	Provision of additional gymnastic equipment.	23,704	48-Army—I-A (1) Fighting Services	50-M E. S. Rs. 16,164 48-Army—IV-H Rs. 7,540	
6 No 29569-2 (E.-5-A), dated 13th March 1925)	To meet moiety of expenditure over normal in Aden during 1924-25	42,028	50-M E. S	48 Army—V Special services C Aden Operations	
7. No. 3520-Q. F.-1, dated 12th March 1925.	To cover cost of materials and stores in Ordnance Factories—English expenditure during 1924-25.	9,73,330	48-Army—I A-I Fighting Services	48-Army—II-E (*f*) (ii).	
8 No 526261 (Q. M G.-9), dated 11th March 1925.	Reappropriation to meet Rail Charges	3,41,400	48-Army—VI-A (a) (4) (i) II-D (b) (i) 14 (b)	48-Army—II-D (a) (i) (i) 14 (b)	
9 No 31094-1 (E-5 A), dated 10th March 1925.		3,370	II-E (*f*) Capital Account	50-M. E S Repairs and Renewals.	
10 59788 (Q.-7 M T), dated 10th March 1925.	Additional M. T Vehicles and petrol during 1924-25.	2,42,000	48-Army—VI-A. Rail Charges	English estimates.	
		3,30,310	48-Army—VI-A. Rail Charges.	48-Army—IV-L. Suspense, etc VI B	Final head of stock not mentioned
11. No 1000-E (M A G), dated 13th March 1925.	To meet probable extra expenditure under VII-A—Rewards for Military Services—VII-B-Pensions	9,82,130	48-Army—VII-C Exchange on English expenditure.	48-Army—VII-A—Rewards for Mily Services Rs 22,940 VII-B—Pension Rs. 9,59,190	
12 No 29009-10 (E-5-A), dated 18th March 1925	Retransfer of unallotted balance of reserve for Farms Department buildings.	6,232	50-M. E. S	48-Army—II-E (c).	
13 No. 29009-6 (E-5-A), dated 21st April 1925.	Cancels the above reappropriation order.	..	.....	....	This was objected to the original reappropriation having been sanctioned in the year 1924-25
14 No 60289-1 (Q-11), dated 19th March 1925	To meet expenditure in Ordnance Depots works	12,681	48-Army—Head II D (a) (i) (i) (9) Tempy Labour Rs. 4,596. IV-H. Ordnance Additions by purchase Rs 8,489	50-M E S Rs 12,681	
			Difference will be adjusted under head II-D (1) (i) as recoveries of Departmental expenses		
15 M D letter No 300-M, dated 14th March 1925	To meet anticipated excess under certain sub-heads under 49-Marine	50,780	49-Marine Sub-head 5.	49-Marine sub-heads 3, 6, 8, 9	

List of Reappropriations, 1924-25—contd.

A. D. letter.	Name of work or object of Expenditure.	Amount.	Budget heads affected. From	Budget heads affected. To	Remarks.
		Rs.			
16. No. 30187-1 (E-2-A), dated 9th December 1924.	Repairs to roads in the Eastern Command.	2,50,000	48-Army—I A	50-M. E. S.	
17. No. 18025 (G. S. S. D.-2), dated 8th December 1924.	Purchase during 1924-25 of additional Mechanical Transport vehicles	6,98,000	48-Army—VI-A. Rail Charges.	IV-L (c) English estimates, purchase of M. T. Stores.	
18. No. 18025 (G. S. S. D.-2), dated 8th December 1924.	On account of loss on exchange on purchase of M. T. Vehicles.	3,02,000	48-Army— VI-A. Rail Charges.	48-Army—VI-B-Misc. (*d*) exchange on English expenditure on stores.	
19. No. 30500-1 (E-3), dated 16th December 1924.	Cost of new patterns of school desks and chairs for children attending British Army School.	22,800	48-Army—II-B (K) (6) (*a*).	50-M. E. S.	
20. No. 53022-A (Q-7 A T), dated 8th December 1924.	To meet initial expenditure on account of clothing and Ordnance equipment on the re-organisation of animal transport.	95,280	48-Army—VI-A (1) (IV) Hire of transport Rs. 86,470 II-D (*d*) (13) (*d*) Hire of transport Rs. 5,000 91,470	48-Army—II-D. (*a*) (9) Tempy. Labour Rs. 12,500 IV-G „ 28,870 „ 20,440 IV-H. Ordnance „ 33,570 Rs. 95,280	
			Difference Rs. 3,910 will be adjusted under Head II-D Receipts.		
21. No. 3152-3 (M. G. 1-D), dated 10th December 1924.	Provision of electrical fittings in the Clothing Factory, Shahjahanpur.	42,400	48-Army—IV-G. Clothing.	50-M. E. S.	
No. 27638-3 (A. D.), dated 11th December 1924.	Continued employment of temporary establishment in the Q. M. G.'s Branch.	6,825	48-Army—I-A (11) (*a*) Supply Companies.	48-Army—III-A (*v*) Q. M. G.'s Branch.	
23. No. 29533-2 (E-5-A), dated 22nd October 1924.	Transfer of funds from 48-Army to 50-M. E. S.	42,353	48-Army—III-B. Rs. 26,120 III-C Rs. 16,233	50-M. E. S.	
24. No. 668-E (M. A. G.), dated 18th December 1924.	To meet expenditure under head VII (*c*) Exchange on expenditure in England.	77,910	48-Army—I-A-I. Fighting Services.	48-Army—VII (*c*). Exchange on expenditure in England.	
24 (*a*) No. 668-E (M. A. G.), dated 18th December 1924.	To meet excess expenditure on account of obligatory non-effective charges and of commutations of pensions anticipated in High Commissioner's estimate.	1,80,000	48-Army—I-A-I. Fighting Services.	48-Army—Non-effective charges in England.	
25. No. 15340 (G. S. M. O.-1), dated 17th December 1924.	To meet cost of construction of buildings for R. A. F. personnel at Miranshah.	40,000	Savings under Head 48-Army—I (A) I. Fighting Services.	48-Army—C-R. A. F. II-Works.	
26. No. 18475-1 (G. S. O. S.), dated 15th January 1925.	To meet initial expenditure in connection with the Torchlight Tatto held at Delhi in February 1925.	3,000	From savings under 48-Army—Head I.	...	
27. No. A.-29489-X (A. G.-14), dated 9th January 1925.	To meet excess expenditure anticipated by various Controllers of Military Accounts on account of commutation of pensions during the year 1924-25.	4,67,000	I. A. I. Fighting services.	VII-B—Pensions.	
28. No. 17525-2 (G. S. M. T.-1), dated 6th January 1925.	To meet the outstanding charges connected with tour of the Iraq battle fields by students from Staff College, Quetta, during 1923.	8,879-7-11	48-Army—II-A (*c*) (ii)—Small Arms School, Satara. Pay and allowances of officers with King's Commissions.	48-Army II-A (P) Miscellaneous Annual Training Grant.	
29. No. Peta.-11 (R. A. F.), dated 15th January 1925.	To meet the cost of 1,11,364 galions of aviation petrol required by R. A. F.	1,87,930	48-Army—Part-C. R. A. F. B (*d*) (2) Pay and allowances of British soldiers.	48-Army—IV D. Petrol and Lubricants. Additions by purchase.	
30. No. 29461-4 (E. 5-A.), dated 31st December 1924.	To meet additional expenditure for the grant of motor car Advances.	8,000	C. M. A. Lahore District from the grant at the disposal of the Q. M. G.	Western Command.	

List of Reappropriations, 1925-26.

A. D. letter.	Name of work or object of Expenditure	Amount	Budget heads affected.		Remarks
			From	To	
		Rs			
1 No. 62559-5 (Q.-15), dated 9th December 1925.	Purchase of additional camels by the Army Remount Department during 1925-26.	28,350	48-Army—IV L. (iii) Central (a) I A S C.	48 Army IV L. (iv) Local (d) Animals	
No. 38035 (Q M. G 7 M T), dated 30th November 1925	To cover initial expenditure on account of articles of clothing for 773 driver reservists of M. T Service in India.	20,880	48-Army—I-A (c) Mechanical (II) Transport Units. Pay of reservists N C. and Rawalpindi District	48-Army IV G Clothing N C. and Rawalpindi District	
3. No A 19777-17, dated 10th December 1925	Pension Investigating Scheme.	2,864	48-Army—I-A Miscellaneous (1) (Stores)	48-Army III A (iv) I (a) Assistant Pension Investigating Officer.	
4 No 20277 (G S. M. T), dated 4th December 1925	Extra expenditure under Training Grant in Rawalpindi District	40,000	48 Army—IV L Suspense (iii) (f) Ordnance	48-Army II-A. (p) (1) Annual Training Grant	
5 32814-4 (E 5-A.), dated 23rd December 1925.	Extra expenditure involved during 1925-26 on account of revised rates of pay of Army Officers sanctioned in A. I (I) 1-S. of 1925.	83,400	48-Army I-A (1) Lump provision of pay.	50-M. E. S Establishment	
6 M. D. letter No 1435-M, dated 23rd December 1925.	Commutation of Pensions of certain civilian pensioners of R. I M. Dockyard, Bombay.	13,820	49-Marine—(4) Dockyards Chief Construction.	49-Marine 10—Persions.	
7. No. 30350-20 (E.-2-B), dated 5th January 1926.	Acquisition of "Kelvin Grove" and "Brightlands" properties, Simla.	2,50,000	49-Marine—(8) Purchase of ships and vessels.	50-M.E S, A I (d) Miscellaneous N Command	See also item 12
8 M D. letter No. 1437 M, dated 23rd December 1925	Hire of British India Steam ship Company's steamers during 1925-26.	1,40,500	49-Marine—(4) Marine Store Officers' Department, Rs. 50,000 Wages of Artificers and labourers Rs. 50,000. 7-Purchases of Marine Stores and Coal Rs. 45,000	49-Marine- 8—Purchase and hire of ships and vessels.	
…o. 0142-35 (M. G-1) dated 9th January 1926.	Cost of 2 additional posts of A.-D-Cs. on the personal staff of H. E. the Viceroy during 1925-26.	20,000	48-Army—I. A. (I) Stores.	48-Army III-F (b) Miscellaneous (1) A.-D-C (British).	
…731 3 (E 5-A), …ated 29th December 1925	Construction of junior married officers quarters at the Staff College, Quetta.	22,000	48-Army—IV L.(iii) (f) Ordnance.	50-M E.S. A Major works, Engineer in-Chief's reserve, etc	
…92 (M. O-3—…), dated 22nd …uary 1926.	Survey of Shaksgan Valley.	4,000	48-Army—I. A. 1 (b) Miscellaneous expenditure on stores.	48-Army—III (a) (iii) (16)	
…-1 (E-2 B), …d 21st January 1926.	Special repairs and additions and alterations to "Kelvin Grove" and its out-houses, Simla	45,000	49-Marine—8—purchase of ships and vessels.	50-M.E.S.	
…53472 1(Q.-…) dated 26th …y 1926.	Purchase of additional horses and mules during 1925-26 by the Army Remount Department for the Survey Section, Royal Artillery.	14,830	48-Army—Head I.A. (b) Artillery Pay and Allowance of British soldiers.	48-Army—Head IV-L (iv) in India (Local) Purchase of animals	(1) Funds required for animals met from provision under pay and allowances of British soldiers (2) Expenditure finally adjustable in Rawalpindi District but purports to pass through IV L, P. & A. District and Lahore D…
	Omitted.		....		

List of Reappropriations, 1925-26—contd.

A. D. letter.	Name of work or object of Expenditure.	Amount.	Budget heads affected. From	Budget heads affected. To	REMARKS.
15. No. 6669-3 (M.G. S.-2-B.), dated 23rd January 1926.	Issue of lighting set mobile field 3 K. W. to Divisional Headquarters Company, Sappers and Miners. (These were purchased during 1924-25 to avoid lapses although not provided for in that year's estimate).	Rs. 1,92,790	...	Recurring expenditure charged to 48-Army Head I. A. (1) (16).	The existence of savings under head I was taken advantage of to make this purchase which incidentally involves recurring expenditure.
16. M. D. letter No. 91-M., dated 27th January 1926.	Cost of hire of the British Steam Navigation Company's Steamer "Netravati" for January 1926 to March 1926.	57,000	49-Marine—(1) Sub-head 4-Bombay Dockyard. Wages of Artificers and labourers Rs. 25,000. (2) Sub-head 5-Salaries and allowances of officers and men afloat, Pay of officers and Warrant Officers employed afloat Rs. 32,000.	49-Marine Sub-head 8 Purchase and hire of ships and vessels, Hire of ships and vessels Rs. 57,000	
17. No 43619-Q.M.G. 4-A., dated 6th February 1926.	Cost of additional Coke hard for use in Arsenals and Depots.	1,668	48—Army II-D (a) (i) (i) (1) Pay of officers with King's Commission. Rs. 1,500 IV—H.-Ordnance Additions by Purchase. Rs. 168 1,668	48—Army. II-D (a) (i) (i) (2) Fuel—light, etc. Allahabad Rs. 1,208 P. and A. District 302 1,510 Recoveries of Departmental expenses 158	
18. No. 62575-1 (Q. M. G. 3), dated 5th February 1926.	Conservancy charges carried out by cantonment authorities in the Burma District.	25,000	48—Army. I-A.-II (b) Animal Transport Rs. 10,000 I-A II (d) Medical Services Rs. 15,000 25,000	48—Army. VI-D.-Misc. (a) (7) Conservancy charges Rs. 25,000	
19. M. D. letter No. 215-M., dated 24th February 1926.	(1) Revised rates of pay for the King's Commissioned officers serving in the Cantonment Department.	1,12,000	49—Marine Purchase and hire of ships and Vessels. Purchase of ships and vessels.	48—Army Head II I (a) Cantonment Department.	
	(ii) Initial expenditure on the purchase and supply of certain items of national clothing for Highland Regiments.	84,800	Ditto.	Ditto. Head IV-L.-Suspense.	
	(iii) Part of expenditure involved in the grant of Presidency Town allowances to Military officers serving in Bombay, Calcutta and Rangoon.	93,200 2,90,000	Ditto.	Ditto. Head I-I—Fighting services.	
20. No. A.-37031-1 (A. G. 6), dated 9th March 1926.	To meet excess expenditure under postage telegram charges etc., under II-J in Lahore District.	500	48—Army I.-A.-I (b) Reservists Pay and Allowances of Indian officers and other ranks.	48—Army. II-J. Recruiting Staff. Postage, telegram and telephones.	
21. 62575 (Q.M.G. 3), dated 12th March 1926.	Conservancy charges incurred during 1925-26.	26,000	48—Army. II-D (f) Veterinary Hospitals other Road charges.	Placed at the disposal of G. O. C.-in-C. W. C.	
22. No. 63452-1-Q. 5, dated 10th March 1926.	Purchase of Type-writer and a duplicator.	1,245	48—Army II-D (c) Supply Depot Temporary Labour.	48—Army II-A (1) I. A. S. C. Training School. Incidental and Misc. expense and allowances.	

List of Reappropriations, 1925-26—contd.

A D letter.	Name of work or object of expenditure.	Amount.	Budget heads affected. From	Budget heads affected. To	Remarks
23 No 62575 3 (Q. M G 3), dated 3rd March 1926.	To meet conservancy expenditure incurred during 1925-26 by G. Os. C Commands, Burma, and Aden in excess of funds allotted in A I (1) 592—25	Rs 1,12,570	48—Army. Head II-D (c) Supply Depots— Rs Peshawar 20,000 U. P 15,000 Bombay 35,000 Head I-A (1)—Miscellaneous— Rawalpindi 30,900 Lahore 17,500 Head 1 (B) (1)—Miscellaneous— Aden Brigade 1,180 Head I-A (1)—Miscellaneous— Rawalpindi 290 Peshawar 560 Waziristan 7,180 Kohat 200 Head I (B) (1) Misc Aden Bde. 210 III-C-Staff of Distts, etc. (9) Provision for expenditure to be sanctioned by G. O. C. Aden Bde. 1,630 Head III(c) 18 moiety of expenditure at Aden chargeable to His Majesty's Government 9,620	Rs G. O. C, N C 81,920 G O C., S C 35,100 Burma Independent District 6,000 Aden Brigade 19,250 1,12,570	
24 No. 59462-1-1-Q-3, dated 13th March 1926	Miscellaneous establishment (Madras District)	600	48-Army—VI-A.-1(1) Rail charges (P & A Distt)	48-Army—III-F (c) Misc. Establishment, Madras Distt.	
25 No [illegible]	[illegible]	43,100	48 Army I. A. (ii) (c) M. T Units Pay of Driver reservists—N C. & Rawalpindi Distt . Rs. 43,100 [illegible]	48-Army—IV-Stock Acct.-G.-Clothing N C and Rawalpindi Distt.—Additions by purchase 45,250 [illegible]	
26 No. 19412-1 (G S. S. D-2), dated 13th March 1926.	Expenditure on the revised mobilization reserve of Fodder to be maintained by Farms Department. Trans-Indus	[illegible]	[illegible]	[illegible]	
27 No 64731 (Q M G-6), dated 18th March 1926	Excess expenditure under Head II A (1) I A. S C Training School, Rawalpindi District	12,000	48-Army—I-A.(1) Fighting Services	48-Army—II-A(1) I. A. S C Training School	
28 No. 31573-1 (A D), dated 18th March 1926.	To meet anticipated excess on account of loss on sale of surplus stores	2,16,000	48-Army—IV-Stock F.-Medicines and surgical instruments.	48-Army—II-D(c) Medical Store Depot.	
*29 7011-1 (M. G-1-A), dated 9th March 1926.	To meet the cost of (i) Picric acid for Ordnance Factories Rs 1,76,230 (ii) Ghee to be purchased by I A S C. 12,88,010 (iii) Passage concessions to civilian personnel under Master General of Supply 50,000 15,14,270	15,14,270	48-Army—II-E (c) Clothing Factories Stock Acctt. Rs 12,80,080 12,80,080 [illegible]	48-Army—II-E (f) ii (c)(1) Ordnance Factories Rs 1,76,230 IV-Stock Acctt-A. Provisions 12,88,010 II-E (f) (1) Revenue Account 50,000 15,14,270 Of this Rs 1,10,190 [illegible]	*This letter has since been superseded by revised letter of same No. and date issued after the expiry of the year (1925-26) It withdraws the appropriations shown in the original letter, relating to Picric Acid Rs. 1,76,230 in both the "from" & "to" Cols.

List of Reappropriations, 1925-26—contd.

A. D. letter.	Name of work or object of Expenditure.	Amount.	Budget heads affected — From.	Budget heads affected — To.	Remarks.
		Rs.			
30. No 33014-5 (E.-5-A.), dated 18th March 1926.	Contribution by the Government towards the construction of the new cantonment at Mingaladon.	3,00,000	48-Army Part II-D. Auxiliary Force	50 M. F. S. 4 Special Works (e) Misc., Burma Dist.	
31. No. 62575-Q. M. G.-3, dated 18th March 1926.	Additional expenditure on conservancy arrangements in the Southern Command during 1925-26	[illegible]	48-Army—Head VI-A (4) Rail Charges, etc.	48-Army VI-B-Misc. (f) Conservancy charges in the Southern Command and Burma District.	
32. No. 63847-1 (Q. M. G.-2), dated 19th March 1926.	Advances to officers of the Army for purchase of motor cars	51,938	Rs. M. F. S. Motor Car advances 2,000 Army-Motor Car Advances Northern Command 3,000 Army other conveyances— Burma District . 8,000 Bombay . 12,938 Poona . 17,000 Central Provinces . 9,000 Madras . [illegible] 51,938	Army Motor car advances— Rs. Burma . 8,000 Bombay . 11,138 Poona . 17,000 C. P. . 10,000 Madras . [illegible] 51,938	
33. No. A.-34018-6 (A. G.-1), dated 29th March 1926.	To meet excess expenditure under Head II-J (b)-Hill Sanitaria and Depots.	19,000	Balance of Reserve with Army Headquarters 17,[illegible] Savings under Head I [illegible] [illegible] . 1,[illegible] 19,000	II-J (b) Hill Sanitaria and Depots . 19,000	If funds are placed at the disposal of an authority on the 29th March it is difficult to see what use he can make of them: if it is to cover an excess it is "camouflage".
34. No 62575 (Q. M. G.-3), dated 22nd March 1926.	Conservancy charges incurred by G. O. C.-in-Chief, Northern Command, during 1925-26. (To meet conservancy expenditure incurred in excess of funds allotted in A. I. (I.) 392 of 1925 and A. D. letter 62575-3 (Q. M. G.-3), dated 3rd March 1926)	65,000	48-Army—II-D (c) Supply Depots, Peshawar	Placed at the disposal of G. O. C.-in-Chief, Northern Command.	An example of patching up as opposed to control.
35. No. A.-37801-1 (A. T. F.), dated 20th March 1926.	Cost of 12 accumulators for 2 wireless sets (to be purchased locally) on charge of 5 Madras Signal Co., R. E. Auxiliary Force. The sanction is subject to articles being purchased before 31st March 1926.	1,800			
36. No. A.-37246-7 (A. G.-6), dated 20th March 1926.	To meet excess expenditure under Head II-J (a) Recruiting Staff.	3,000	48-Army Head-I-A (1) (c) Infantry.	48-Army II-J (a) Recruiting Staff.	
37. Mily. Finance letter No. 183-B., dated 31st March 1924. (Copy attached).	To meet excesses under certain heads under 48-Army during 1925-26.	82,04,451	Rs. 48-Army— VI-B . 21,80,112 VII-Exchange . 19,66,000 VII-Pensions . 7,12,222 Rewards . 13,000 IV-Stock Freight . 150 Misc. Stores 14,400 Animals . 2,85,410 Clothing . 14,98,587 Medical and Surgical Instruments 1,17,000 IV-Suspense . 11,17,230 82,04,451	Rs. 48-Army— I. . . 20,94,731 IV.—Provisions . 17,11,060 Ordnance 20,73,600 M. T. . 8,97,530 VI.—Transport of Troops . 4,92,220 Exchange under II, III, V, VI and Part C. . 9,34,110 82,04,451	

List of Reappropriations, 1925-26—contd.

A D. letter.	Name of work or object of Expenditure.	Amount	Budget heads affected. From	Budget heads affected. To	Remarks.
		Rs.			
38 A D letter No. A-37838/1 (A G. A T F.), dated 20th March 1926.	Local purchase of 5 lorries for No (Calcutta) Field Brigade R A. Auxiliary Force, India.	51,000		48—Army Part B-D.	
39 No 17102 (G S.-M T 2), dated 20th March 1926	To meet excess expenditure under Head II-B (a) (ii) and (iii) as a whole (E C. and U. P. District)	1,[illegible]10	48—Army I (A) L Lump sum provision of pay	48—Army II B (d) (ii) and (iii) Commands and District.	
40 Ditto	To meet excess expenditure under Head II-B (a) (ii) and (iii) as a whole (N. C. and Rawalpindi District)	5,000	Do.	Do	
41. Ditto	To meet excess expenditure under Head II-B (a) (ii) and (iii) as a whole (S. C. and Poona District)	2,050	Do.	II B (a) (ii)	
42 Ditto	To meet excess expenditure under Head II B (a) (ii) and (iii) as a whole (S. C. and Poona District)	4,200	Do	II-B (a) (iii)	
43. 1881 (Q F. II), dated 23rd March 1926.	To meet excess expenditure at the rest camp, Karachi	61,000	48—Army I A (1) (g)	III-F (c) Misc.-Estt.	
44 No. 7515/3 (Q I-Estt), dated 22nd March 1926.	Transfer of Funds in the Army Estimate during 1925-26.	5,8[illegible]0	48—Army III-A (ii) (2) (c).	III-A (v) (2) (d).	
		570	48—Army III-A (iv) 10 (a).	III-A (v) (9) (a).	
45. No 7538/1 (M G S 2 B), dated 20th March 1926	Cost of "Hughes Liquid Cavalry compasses" to be supplied to Indian Cavalry Regiments and Infantry Battalions.	7,665	48—Army II-B (J) Misc. (3) Rs. 7,300 Difference Rs. [illegible]	IV-H—Debits, (1) Additions by purchase Rs. 7,665	
46 No 18877/1 (G. S.S D. 2), dated 20th March 1926.	To meet excess expenditure under other Misc expenses under Head III-A (iii) (10) (b)		[illegible] in India Central (f) Ordnance.		Transfer from a transit head to a final head
47 No 31667/2 S, dated 19th March 1926	Delegation to Controllers of Military Accounts of power to utilise savings under minor heads of II I-Admn. of cantonments on excesses under any other minor heads of the same sub-head of that head				Army Department asked to put a stop to such reappropriations They seem to serve no purpose of control They simply conceal the fact that excesses have occurred.
48. No. 17102/-Pt., (G S M. T-2), dated 24th March 1926	Financial assistance to Conductor Saddington for the education of his children	120	48—Army IV-H Ordnance Additions by purchase Rs 126. [illegible]	48—Army II-B (J)—Misc. (6) Assistance to unattached list ranks towards the education of their children Rs. 120.	
49 No. 62663 (Q 7-M. T.), dated 25th March 1926	To meet excess expenditure under Head II A (J)—Mechanical Transport Training Centre.			[illegible] U. P. Distt.	
50 No 325 M., dated 26th March 1926	To meet excess expenditure under 50—M. E. S during 1925-26.	1,09,080	49—Marine savings under sub-heads 4—Dockyard Rs. 15,920; 7—Marine Stores and Coal 93,160; 1,09,080	50—M E. S	
51. No. Z-625(11) (D. M. S 2), dated 26th January 1926 and No. Z-625-11 (D. M S. 2), dated 24th March 1926.	To meet cost of one gas and ether apparatus to be issued during 1925-26 to each 1st class British and Indian Hospital for anæsthetic purpose.	2,493	48—Army, II-C-Working expenses for hospital (3) Surgery and Dispensary and other charges.	48—Army, IV-L Suspense (i) Purchases in England (e) Medical Veterinary.	

List of Reappropriations, 1925-26—concld.

A. D. letter.	Name of work or object of Expenditure.	Amount.	Budget heads affected. From	Budget heads affected. To	REMARKS.
		Rs.			
52. No. 65061-1 (Q. M. G. 2), dated 25th March 1926.	To meet the additional pay at Rs. 100 per month, to Captain W. E. W. Burtton, M. C. P. W., Volunteers Staff Captain, 20th Infantry Brigade for performing the duties of Railway Transport Officer at Jhansi in 1924-25.	600	48—Army. VI-A-(4) Rail charges connected with movement of troops in P. & A. District.	48—Army. III-E. Railway Transport Staff, Pay and allowances of the King's Commissioned officers in C. P. District.	
53. 32195-9 (E.-5-A), dated 25th March 1926.	Grant of motor car advances to the officers of the M. E. S.	3,000	Allotment for motor car advances for officers of the Army.	Motor car advances of officers of M. E. S.	
54. M. D. letter No. 333-M., dated 26th March 1926.	Reappropriation of savings anticipated under certain sub-heads to meet excesses anticipated under certain sub-heads of "49—Marine" during 1925-26.	1,04,270	Savings Rs. 2,13,350. Difference Rs. 1,09,080 transferred to 50-M. E. S, *vide* item No. 50 of this statement.	Excess Rs. 1,04,270	
55. No. D. T. H.-11-R. A. F., dated 20th March 1926.	Provision of boxes for storage and transit of R. A. F. bombs.	96,880	48—Army. Part C.-R. A. F. Sub-head B(c) (10) maintenance of Ordnance equipment Rs. 92,270. Difference Rs. 4,610 will be adjusted under Head II Receipts D(1) Recoveries of Departmental expenses.	48—Army. Part-C-R. A. F. D.(g) (2) Additions by transfer from Part 'A' Rs. 96,880.	The sanction seems *ex-post facto*.

Enclosure No. 5.

COPY OF LETTER FROM THE GOVERNMENT OF INDIA, ARMY DEPARTMENT, TO THE QUARTERMASTER GENERAL IN INDIA, NO. 63472/1 (Q.-15), DATED THE 26TH JANUARY 1926.

Purchase of additional horses and mules during 1925-26, by the Army Remount Department for the Survey Section, Royal Artillery.

I am directed to say that the Government of India sanction the purchase by the Army Remount Department of the following number of additional horses and mules at the price quoted against each:—

	Rs.
(i) 19 horses (Indian Cavalry class) at Rs. 607-8 each .	11,542
(ii) 4 pack mules (equipment class) at Rs. 427 each .	1,708
(iii) 4 draught mules (Army Transport class) at Rs. 395 each	1,580
TOTAL .	14,830

2. The following transfers of funds are sanctioned:—

Reductions.		Additions.	
Head I-A. (B)—Artillery—Pay and allowances of British soldiers.		Head IV-L. (iv) Purchase in India—Local Animals.	
District.	Amount.	District.	Amount.
	Rs.		Rs.
C. M. A., Lahore District. .	7,420	Presidency and Assam .	11,542
C. M. A., E. C. and U. P. District	7,410	Lahore	3,288
Total .	14,830		

	Rs.
Debits	14,830
Credits	14,830
Head IV-K—Animals—Northern Command and Rawalpindi District	28,240

The difference of Rs. 13,410 will be adjusted as recoveries of Departmental charges under head II-D.

Enclosure II (*b*).

LETTER FROM SIR FREDERICK GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. T.-372-ADMN /57 OF 1926, DATED THE 22ND JUNE 1926.

SUBJECT :—*Home Auditor's reports on the accounts of the High Commissioner for India and of the Secretary of State in Council relating to Military services from 1st April 1924 to 31st March 1925*

In continuation of my letter No. 578-Admn /57-26, dated the 4th June 1926, I have the honour to forward herewith a copy of each of the accounts for 1924-25 of the High Commissioner for India and of the Secretary of State in Council, in respect of Central Government, together with a copy of the Home Auditor's reports on each of those accounts

2. Section II of the Auditor's reports deals with receipts and expenditure on behalf of the central Government in respect of Military Services and I offer the following comments on this Section of the report on the accounts of the Secretary of State.

3. Special attention is invited to paragraph 13 of the report which explains the omission to send to the authorities in England copies of orders relating to interpretation of Foreign Service Rules

4. The large savings to the Government of India reported therein indicate the results of audit in the direction of watching the financial interests of India.

Enclosure III.

LETTER FROM SIR FREDERICK GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 495-ADMN /K. W 56-26, DATED THE 12TH MAY 1926

SUBJECT.—*Appropriation Report on the accounts of the Posts and Telegraphs Department for the year 1924-25.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Posts and Telegraphs Department for the year 1924-25, prepared by the Accountant General, Posts and Telegraphs, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No 872-Admn /734-21, dated the 15th May 1922, as amended by my letter No 2201-Admn /734-21, dated the 21st December 1922. I also transmit herewith two copies of the Appendix to the report for action with reference to paragraph 7 of my letter of the 15th May 1922 cited above This Appendix does not concern the Public Accounts Committee

2. I offer the following comments on the Appropriation Report.—

3. *Page 3, paragraph 3.*—I endorse the remarks of the Accountant General contained in this paragraph regarding defective budgeting and also his suggestion in regard to the introduction of the system of "regrants," *vide* explanation A on page 58 of the Report ... connection that the principle of "regrants" has ... the case of Public Works ... Industries and ... February 1925 ... paragraph 55

4. *Page 3, paragraph 6, line 4.*— ... of the report of the Public Accounts Committee on accounts of 1923-24.

5. *Page 9, paragraph 12, 2nd sub-para, lines 4 and 5* —The attention of the Public Accounts Committee is invited to their comment and suggestion contained in paragraph 58 of their report on accounts of 1923-24.

6. *Pag ... paragraph 13* —It has to be remembered that the profit ... assumption that the works outlay

Rs. 31,65,5...

amounting

though it is met from revenue. If this were deducted, the net profit would be about 18 lakhs.

7. *Page 12, paragraph 17.*—The figure "16" in line six of this paragraph is a misprint for "19."

8. *Page 16, paragraph 25—Superannuation allowances and pension.*—As the debits from the Bombay Government were expected at the time of framing the budget and as the Accountant General had suggested the raising of the grant by 4 lakhs, *vide* explanation on page 52 under paragraph 37 of the report—the more correct procedure would have been to provide for at least a portion of the amount suggested by the Accountant General by reduction of grants under which savings were anticipated.

9. *Page 16, paragraph 25—Capital outlay (charged to Revenue).*—The serious overestimating of works outlay is probably the most important matter brought to light in this report. As the Public Accounts Committee is aware it is common in the Railway Department also. Could not the system of budgeting followed there be adopted in the Postal and Telegraphs Department?

10. *Page 17, paragraph 26, 2nd sub-para.*—The attention of the Public Accounts Committee is invited to their comments in paragraph 46 of their report on accounts of 1923-24. Reference is also invited to Accountant General's comments on pages 36 and 37 of this report.

11. *Page 17, paragraph 26—Allowances, honoraria, etc.*—If the old rates encouraged more travelling than was necessary then the effect of the new rates has been beneficient. If, however, the amount of travelling is now less than is necessary, Government will no doubt consider whether in the interest of efficient administration superior authorities should not insist on an adequate amount of travelling.

12. *Page 18—Maintenance and Repairs of buildings, etc.*—I endorse the remarks of the Accountant General contained in this sub-paragraph and in that headed "Apparatus and Plant."

I also invite attention to his explanation A-7 on pages 49 and 50 of the report.

13. *Page 25.—Explanation A-1 and elsewhere.*—I may inform the Public Accounts Committee that I have issued instructions to the Accountant General that wherever an excess over the original appropriation is shown he should always state how much of the excess has been met by re-appropriation.

14. *Page 26—Explanation D-1 Non-voted.*—It is not clear why application for formal transfer of funds from Voted to Non-voted was not made to cover the excess under the latter.

15. *Page 43—Explanation A-1 (i).*—The Public Accounts Committee may wish to investigate how this serious mistake arose and what measures are being taken to prevent a recurrence.

16. *Page 49—Explanation A-4 (a).*—The attention of the Public Accounts Committee is invited to the failure of control mentioned in this explanation.

17. *Page 56.—Explanation B.*—The very serious error in estimating even in the Revised Estimate may repay investigation.

Enclosure IV.

FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, NO. 585-ADMN./55—26, DATED THE 12TH JUNE 1926.

SUBJECT.—*Appropriation Report on the accounts of Railways in India for 1924-25.*

With reference to rule 15 (*a*) of the Auditor General's rules framed under section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts

of Railways in India for the year 1924-25, prepared by the Accountant General, Railways, for necessary action on the lines indicated in paragraphs 3 and 4 of this office letter No 872-Admn /734—21, dated the 15th May 1922, as amended by this office letter No 2201-Admn /734—21, dated the 21st December 1922.

2. I offer the following comments on the Appropriation Report —

3 *Page 4, paragraph 14*—The proposal for the revision of the Railway forms in the Finance and Revenue accounts have been transmitted by me to the Government of India for submission to the Secretary of State

The question of the preparation of a separate balance sheet for Railways is under the consideration of the Railway Board

4. *Page 7, paragraph 23.*—I invite the attention of the Public Accounts Committee to this para

5 *Pages 8 and 9, paragraph 30, second sub-para* —The charging out of stores purchased for special works merely transfers the value from ' Capital suspense ' to the works concerned The value of such materials is presumably borne under a sub-head ' materials-at-site ' of the works concerned. The Public Accounts Committee may ascertain from the Railway Board whether the value is so shown and whether instructions have been issued for keeping an effective watch over the balances of this sub-head It is suggested that each railway administration may be asked annually to report the total value of the stores under this sub-head with a certificate that (i) they have been verified during the year and (ii) they are efficient and are likely to be used up on the work in the accounts of which they are borne. It is worthy of mention that the Workshops Committee has criticised the effect of this rule on workshop efficiency and as a result of its remarks the whole subject is receiving my careful attention.

6. *Pages 9 and 10, paragraph 33 (b)* —This fund has now been abolished and a General Passage Account has been substituted

7. *Page 12, paragraph 42* —The figure against ' Earnings of non-budget lines ' in the last column should be ' —42,18 '

8. *Page 13, paragraph 45* —The Public Accounts Committee may desire to commend to the Railway Board the enquiry suggested at the end of this para

9 *Page 18, paragraph 58 and page 22, paragraph 69* —The Public Accounts Committee may desire to ascertain whether there is any possibility of introducing on other railways the economies in working which have led to such good results on the Great Indian Peninsula Railway, South Indian Railway and the Madras and Southern Mahratta Railway

10. *Page 22, paragraph 71* —In paragraph 9 of my letter to the Government of India forwarding the Appropriation Report on the accounts of Railways in India for 1923-24, I commented on the inability of the Railway Department to spend the full provision of 30 crores for capital expenditure It is noticed that in the budget estimates for 1925-26 a provision of 32 crores was made with a probable saving of 9 crores, *i e* , for a net sum of 23 crores. The Public Accounts Committee will remember that even this amount was not spent

11. *Pages 23 to 26, paragraphs 74-79* —I do not comment on these paragraphs as a Workshops Committee has been considering in details the matters discussed therein and has submitted its report

12 *Page 26, paragraph 79* —The reference here is to paragraph 7 of my last year's letter to the Government of India forwarding the Appropriation Report on the accounts of Railways in India for 1923-24.

13 *Page 27, paragraphs 83 and 84* —In view of the fact that the Bengal Nagpur Railway and the Burma Railway showed larger profits in 1922-23 than in 1924-25, it can hardly be said that the position on these Railways is steadily improving

The Public Accounts Committee will note however that the improvement in the East Indian and Great Indian Peninsula Railways was due partly

to the capital portion of the annuity payments having been charged to Capital instead of to Interest in the Revenue accounts from 1924-25.

14. *Page 28, paragraph 85.*—The total amount of loss in 1923-24 was Rs. 60,801 against a total gross traffic receipt in India of Rs. 101·48 crores. In 1924-25 the gross traffic receipts in India were Rs. 108·04 crores and the total amount of loss was Rs. 31·138. The improvement seems to indicate that during the year under report cash was more carefully handled by the railway staff than in the previous year. In paragraph 2 (12) of my letter to the Government of India forwarding the Railway Audit Report for 1922-23 which reported losses from cash safes used in transmission of earnings to headquarters, I suggested the desirability of payment of earnings into the nearest treasury on the same railway. In July 1925, orders were issued by the Railway Department to give effect to this suggestion as far as possible and it is to be hoped that there will be a reduction in future of losses of this kind.

15. *Page 62, Notes 7 and 10.*
„ *65 Note (8).*
„ *70 „ (5).*
„ *95 „ (10).*

It is not clear why sanction of competent authority was not obtained to the transfer of funds to the heads under which actual expenditure was booked.

16. *Page 63, Note 14.*
„ *65, Notes (1), (3) and (5).*
„ *72, Note (4).*
„ *75, „ (8).*
„ *78, Notes (1), (2) and (3).*

It is not clear why sanction of competent authority was not obtained in the above cases to meet the excess.

17. *Page 65, Notes (1) and (9).*—These appear to indicate defective budgeting.

18. *Page 70, Note (5).*—It is to be hoped that in future budget provision will be made under the head under which, according to the rules of classification, the expenditure has to be booked.

19. *Page 73, Note 11.*—The Public Accounts Committee may like to ascertain from the Accountant General under what head provision for the expenditure referred to in this note was made. It may also like to enquire why transfer of funds was not applied for.

20. *Page 73, Note 13.*—It is presumed that in future budget provision will be made for this important adjustment.

21. *Page 75, Note 4.*—The Public Accounts Committee may desire the Accountant General to elucidate this very cryptic comment.

22. *Page 86, Table.*—It appears from this table that in several cases, *e.g.*, in the case of the Bombay, Baroda and Central India, Burma, East Indian and Bengal Nagpur Railways, the actual expenditure closely approximated to the original grant or was less but that the original grants were increased later on by net additional reappropriations. The Public Accounts Committee may like to enquire why such net additional reappropriations were made.

23. *Page 93, Note 20—last sentence.*—It is not clear why application for reappropriation was not made earlier.

24. *Page 107, Appendix II.*—This appendix does not concern the Public Accounts Committee.

Appendices showing the expenditure against the grant allotted for specific works (*e.g.*, rolling stock) have not been prepared by the Accountant General as no such allotment was made by the Railway Board.

Enclosure V.

LETTER FROM SIR FREDERIC GAUNTLETT, K B E., C.I E., I C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF MADRAS, FINANCE DEPARTMENT, No 224-ADMN /53—26, DATED THE 26TH FEBRUARY 1926.

SUBJECT :—*Appropriation Report on the accounts of the Government of Madras for the year 1924-25.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Government of Madras for the year 1924-25, prepared by the Accountant General, Madras, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No 872-Admn /734—21, dated the 15th May 1922, as amended by my letter No 2201-Admn /734—21, dated the 21st December 1922 I also transmit herewith two copies of the appendix to the report for action by the Madras Government with reference to paragraph 7 of my letter of the 15th May 1922 cited above This appendix does not concern the Public Accounts Committee Copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Madras together with the Home Auditor's reports thereon will be transmitted to the local Government, when copies thereof are received in my office.

I presume that the local Government will ask the Accountant General, Madras, to attend the meetings of the Public Accounts Committee so as to help them with his advice and assistance in any matter that may be desired

2. I offer the following comments on the Appropriation Report of the Accountant General, Madras :—

3. *Section I —Provincial Finance* —The tables in paragraph 24 of the report show that as compared with the results of 1923-24 the financial position at the end of 1924-25 was worse by 66 lakhs The total revenue was less by 20 lakhs and the total expenditure was more by 46 lakhs Though Land Revenue receipts were more by 28 lakhs, there was an equal drop under Excise, while Irrigation revenue fell by 14 lakhs The increase in total expenditure was due principally to Extraordinary charges to the extent of 23 lakhs in connection with the repair of cyclone and flood damages and to the debit of 21 5 lakhs to revenue on account of repayment of debt to the Government of India

For 1925-26, a surplus of 29½ lakhs is anticipated and the Accountant General remarks that the revenue prospects of the year are hopeful (paragraph 40 of the report) This surplus, however, is small, and it has been possible to provide for it only because the Provincial contribution has been reduced by 126 lakhs None of the existing substantial sources of provincial revenue, again, is li[illegible] than it is at present yielding (p[illegible] the normal increasing needs of [illegible] ant- General in paragraphs 31, 32 and 34 of the report, [illegible] the obligatory expenditure in connection with the cyclone and flood damages of 1923 and 1924 still continues (paragraph 37 of the report). It is clear that in view of the present financial position it will be unwise to incur any considerable fresh liabilities like some of those mentioned in paragraph 39 of the report until the position is eased by further remissions of the Provincial contribution

4. *Page 19, paragraph 35* —The Accountant General's remarks in the last sentence of this paragraph will no doubt receive the careful consideration of Government.

5. *Page 20, paragraph 38* —I endorse the Accountant General's remark in the last sentence of this paragraph.

Section III.—Action on previous reports.

6. *Page 28, paragraph 53.*—The question is still under the consideration of the Government of India.

Section IV.—Appropriation Accounts.

7. *Page 33, paragraph 60.*—The Public Accounts Committee will note that the excesses under items (*b*) and (*d*) require to be brought to the notice of the Legislative Council.

8. *Page 34, paragraph 61* (*a*).—I support the Accountant General's suggestion at the end of this paragraph.

9. *Pages 37-38, paragraph 70.*—In case the remarks of the Accountant General in this paragraph may be interpreted as a tacit criticism of reductions of grants in cases which are not mentioned with approbation by him, I would state that I do not associate myself with such criticism.

10. *Pages 44 to 46, paragraphs 77 to 81.*—I express my concurrence with the remarks of the Accountant General contained in these paragraphs on this very important question.

11. *Page 47, paragraph 83.*—I support the suggestion made by the Accountant General at the end of this paragraph. A better forecast of expenditure on pay of officers and establishments is desirable from the point of view of effective appropriation audit with reference to appropriations sanctioned by competent authority as well as from the point of view of accurate budgeting.

12. *Page 48, paragraph 86* (*a*).—The amount of actual expenditure was within the grant voted by the Legislative Council, and the excess of Rs. 12,045 over this grant as modified by competent authorities other than the Legislature does not require a vote of the Council. The Government of India has been advised that the words " the amount granted for that service " occurring in rule 49 of the Indian Legislative Rules means granted by the Council. At the same time there is no reason why the Public Accounts Committee should not ascertain why competent authorities reappropriated from this grant more than eventually proved to be available for re-appropriation.

13. *Page 49, paragraph 87.*—The table in this paragraph shows that there were savings in all the grants except two from the amounts voted by the Legislature as modified by re-appropriations sanctioned by other competent authorities. The total savings amounted to 63·78 lakhs, of which 36·91 lakhs only was surrendered (*vide* paragraph 70 of the report) and taken to reserve. The large amount of the difference tends to show that the desirability of surrendering appropriations not likely to be spent in the course of the year was not fully realised in all cases, as may be seen from the following instances :—

(i) *Pages 72-73, Items (1) and (2).*—The savings were so considerable as to raise a presumption that more could have been surrendered.

(ii) *Pages 88-89, item (2)—pages 110-111, item (2), and pages 116-117, item (1).*—As remarked by the Accountant General, a larger sum should have been surrendered.

14. The following detailed comments are offered on the Appropriation Accounts :—

(*a*) *Pages 112-113, item 3.*—I do not endorse the idea of the Accountant General in the last sentence of this item that any sum in excess of the revised estimate should be surrendered. A Head of a Department cannot be expected to surrender more than he is quite *certain* will not be spent, whereas even the revised estimate is merely an estimate.

(b) In the following cases transfer of funds from one head to another appears to have been unnecessary —

(i) *Pages 54-55, item (1)* —Any new charge requiring an appropriation to cover it could possibly have been provided for within the original appropriation to this item

(ii) *Pages 96-97, item (2)* —As there was an eventual saving of Rs 6,100, this item did not apparently require to be supplemented.

(iii) *Pages 188-189, item (2)* —The addition to the appropriation appears to have been made without regard to the progress of actuals.

(c) *Pages 54-55, item 5* —The provision for "Petty construction and Repairs" for the Agency Taluk Establishment should have been re-appropriated to item 7 (c), as the expenditure was booked under the latter head

(d) (i) *Pages 54-55, item (7) (a)* —Steps should have been taken to obtain extra provision by re-appropriation within the grant when the possibility of excess was foreseen

(ii) *Pages 68-69, item (13)* —The Public Accounts Committee may wish to ascertain why steps were not taken to obtain extra provision when the possibility of excess was foreseen

(e) *Pages 60-61, item (2)* —It is not clear why the demand originally presented to the council was so much larger than was eventually found to be necessary

(f) *Pages 66-67, item (11)* —The Public Accounts Committee may wish to ascertain whether the Chief Conservator of Forests has since made arrangements whereby he obtains information as to refunds from Treasuries

(g) *Pages 76-77, items (19), (28) and (32)* —I agree with the Accountant General

(h) *Pages 88-89, item (2)* —The first line of the second paragraph of this item should preferably have stood as follows —

"The final actuals show that in both cases token supplementary votes would have been sufficient" As "new services" were entailed, it was correct to come to the Council

(i) *Pages 90-91, item (13)* —When the additional appropriation was given, there was apparently an omission to provide funds to meet further refunds.

(j) *Pages 98-99, item (5)* —This is an instance of no action having been taken by the local Government on the High Commissioner's proposals for modification in appropriation.

(k) *Pages 100-101, item (7)* —In view of the large excess under "Future expenditure", the Public Accounts Committee may wish to ascertain whether the system of watching the progress of expenditure on Special Police is efficient

(l) *Pages 124-125, item (1)* —There is *prima facie* evidence of over budgeting under this head.

(m) *Pages 136-137, item (23)* —In view of the statement of the Accountant General that the departmental control of this item seems to have been very weak, the Public Accounts Committee may wish to ascertain what measure of control is exercised and may like to investigate why additional appropriations were made to this item

(n) *Pages 136-137, items 25 and 26 and pages 237-240 Annexure IV* — In page 237 of the report the Accountant General states that the forecast of the head "Suspense" appears to have been very inaccurate and the control imperfect In page 240, he states that the whole minor head (London Stores) appears to

have been very imperfectly controlled. In view of the statements, the Public Accounts Committee may wish to ascertain what measure of control is exercised.

(o) In page 189 of the report the Accountant General remarks that the control exercised over the Major head (32—Medical) appears to have been particularly inadequate. In view of this statement, the local Government will no doubt ascertain what measure of control is exercised.

(p) *Pages 146-147, item 1.*—The Public Accounts Committee may wish to ascertain whether the internal system of accounts of the Superintendent of Stationery could not be improved.

(q) *Pages 150-151, item 13.*—It is not clear why the additional appropriation was not asked for earlier.

(r) *Pages 152-153, item (14).*—The Committee may consider whether this indicates defective estimating and unnecessary re-appropriation.

15. *Pages 162-163 (non-voted).*—The total of the savings is 10·39 lakhs and that of the excesses 3·48 lakhs. If some of the savings had been re-appropriated to other heads in the course of the year, when that was possible, the number of excesses requiring regularisation and their total amount would have been reduced. Normally only such excesses as could not be fore-seen before the close of the year or are the result of special causes, such as misclassifications discovered after the close of the year should require regularisation.

16. *Pages 176-177, item 15 and pages 180-181, item 10.*—It is to be hoped that the budgeting for expenditure in England will become more accurate as more experience is gained.

17. *Pages 212-213, item 2.*—In view of the statement of the Accountant General that the estimate could have been closer and the book adjustments foreseen, the local Government may wish to enquire into the measure of control exercised over this unit.

Enclosure VI.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF BOMBAY, FINANCE DEPARTMENT, NO. 562-ADMN./K. W. 48-26, DATED THE 7TH JUNE 1926.

SUBJECT:—*Appropriation Report on the accounts of the Bombay Presidency (including Sind) for the year 1924-25.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96-D. (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Bombay Presidency (including Sind) for the year 1924-25, prepared by the Accountant General, Bombay, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action by the Government of Bombay with reference to paragraph 7 of my letter of the 15th May 1922, cited above. This appendix does not concern the Public Accounts Committee. Two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Bombay for 1924-25, together with two copies of the reports thereon, prepared by the Auditor, India Office, are also forwarded herewith. Special attention is invited to the report of the Auditor upon the accounts of the High Commissioner for India.

I presume that the local Government will ask the Accountant General, Bombay, to attend the meetings of the Public Accounts Committee so as to help them with his advice

2. I offer the following comments on the Appropriation Report:—

3. *General Financial Position of Government*—*Paragraphs 11, 17 to 27.*—The figures given by the Accountant General in paragraph 11 show that the surplus of revenue over expenditure taking all heads into account, has been decreasing annually since 1922-23 The surplus in 1923-24 was 35 lakhs less than in the preceding year. In 1924-25, it was further reduced by 3 lakhs The accounts for this year, however, include a receipt of 36½ lakhs from the central Government on account of payment of arrear claim of the provincial Government for Agency work performed by it in connection with Indian States But for this special receipt, the transactions of 1924-25 would have shown a deficit of 10 lakhs instead of a surplus of 26½ lakhs on Provincial transactions. The statement in paragraph 17 read with the explanation given in paragraph 18 of the report shows also that the year 1925-26 was expected to close with a large deficit, and that the Preliminary Budget Estimate for 1926-27 anticipated a similar result. The inability of the Bombay Government since 1923-24, to meet the whole of its statutory obligations under the Devolution Rules from its ordinary *net* revenues, as shown in paragraphs 17 to 19 of the report, the additional liabilities on the revenues in connection with civil works expenditure not costing more than 5 lakhs in each case taken over from 1926-27 (paragraph 20 of the report), the growth of Interest and Sinking Fund charges in respect of borrowings on capital account (paragraphs 21 to 25) and the other very heavy commitments mentioned in paragraphs 34 and 36 of the report (the new permanent commitments in paragraph 34 above total about 13 lakhs) combine to show that the financial position in the near future will be serious It is doubtful whether even the remission of the contribution to the central Government will be sufficient of itself to ease the situation.

4. *Page 12, paragraph 25*—I invite special attention to the very important comment of the Accountant General in this paragraph that, if the Development Scheme as a whole is likely to be unproductive, arrangements will have to be made for the amortization of the loan

5. *Pages 27-28, paragraph 49.*—The report of the Public Accounts Committee on the accounts for 1923-24 has not yet been received by me

6. *Page 30, paragraph 53, item (3).*—The attention of the Public Accounts Committee is invited to the remarks of the Accountant General against this item

7. *Page 31, paragraph 54*—The Government of India have been advised that the substantive portion of the Legislative rules relating to the constitution of the Committee on Public Accounts confers Statutory authority upon that Committee to deal with every matter brought to notice in the Appropriation Report

8. *Page 31, paragraph 55.*—I invite the special attention of the Public Accounts Committee to the following remarks, in dealing with the excess under the Irrigation grant

From pages 58 and 59 it appears that the excess is entirely due to the debit to the accounts under review, of pensionary charges for 1923-24 and 1924-25, the amount of which could not be determined before the close of the year The question arises whether the local Government could not have made an approximate calculation and have obtained a supplementary grant to meet the sum required according to this calculation The excess is more than counterbalanced by the savings under the grant Superannuation Allowances and Pensions—Voted (*Page 61 of the report*).

9. *Pages 32-33, paragraphs 57 and 59*—The two questions regarding the "re-grants" of lapses and late al [illegible] upon in paragraph 5 of my letter No T - [illegible] 17th October 1925, forwarding the Audit [illegible]

I support the further suggestion of the Accountant General made in paragraph 59 of the report

10. *Page 32, paragraph 58.*—The local Government and the Public Accounts Committee will no doubt consider the comment of the Accountant General in this paragraph with reference to the reasons which necessitated the applications for the additional grants or re-appropriations and the dates on which they were sanctioned.

11. *Page 33, paragraph 60.*—A comparison is made below of the total savings on non-works expenditure with the total savings on works expenditure, both voted and non-voted.

Non-Works Expenditure.

	(1) Total savings.	(2) Total net grant or appropriation.	Percentage of (1) to (2).
Serial Nos. 1 to 6, 8 and 10 (voted) . .	80,21	8,67,12	9
Heads 5 to 35 and 45 (non-voted) . .	29,08	4,86,17	6
	1,09,29	13,53,59	8

Works Expenditure.

	(1) Total savings.	(2) Total net grant or appropriation.	Percentage of (1) to (2).
Serial Nos. 7, 11 to 15 (voted)	3,75,02	8,73,11	40
Irrigation (voted)	2,82	61,67	
Heads 11 Irrigation and 59 (non-voted) .	5,21	12,81	40
	3,83,05	9,47,92	40

NOTE.—Serial No. 9 in the appropriation has been left out from the calculation relating to non-works expenditure, as the saving of 8,23 shown against it was the result of a transfer of this amount to the Irrigation Department (*vide* page 64). As a consequential change a saving of 2,82 has been shown against Irrigation (voted) under works expenditure, as the excess of 5,41 shown under this head on page 59 was due to this transfer.

It will be seen from the above that the percentage of savings under Works Expenditure was about 5 times as much as that under non-Works Expenditure, 'voted' and 'non-voted' combined. The high percentage of savings under works expenditure was due principally to lapses in the provisions for construction of Irrigation Works and for the Bombay Development Scheme. In this connection the attention of the Public Accounts Committee is invited to the Accountant General's explanations against items 1 and 8 on page 64 of the report which show that a portion of the savings on construction of Irrigation Works was due to delay in completion of detailed plans and estimates and to absence of sanctioned plans and estimates. Their attention is invited also to their recommendation referred to in paragraph 49 (iii) of this report and to the suggestion made by the Accountant General in the last sentence of paragraph 62.

12. *Page 35, paragraph 63* (ii).—The special attention of the Public Accounts Committee is invited to the Accountant General's remark contained in this paragraph.

13. *Page 40—Appropriation Accounts by Grant—Voted.*—The attention of the local Government is invited to the inclusion of numerous Major heads in one grant which gives scope for transfers between different Major heads within a grant of provisions noted for different purposes and weakens the control of the Legislature over expenditure.

14. *Page 42—Explanation—item (2) 2 under Land Revenue.*—It is not clear why provision for overseas pay was made under Allowances instead of under " Pay of Officers ".

15. *Pages 43 and 72—Forests.*—The original appropriation for Establishments—Voted and Non-Voted combined was 25,40. The expenditure was 22,62. There appears to be room for considerable improvement in budgeting under this head.

16. *Page 45—Scientific Departments, etc.*—Provision for both Reserved and Transferred expenditure has been shown under some of the Major heads within this grant.

In their circular No 3508, dated 13th December 1924, the Bombay Government have directed that in future separate demands should be moved in respect of Reserved and Transferred expenditure shown under the same Major Head of account except under '46—Stationery and Printing'.

17. *Page 45—Explanation—item (12)* —The original grant was nearly doubled by re-appropriation and a further payment was made of a building grant of 21,500 for which no provision was made *vide* Explanation (2) against item 12 on page 48 The Public Accounts Committee may like to investigate the system of determining grants at the time of the preparation of the budget

18. *Page 49—Public Health—item (b), Explanation* —It is not clear why this recovery was not taken into account in preparing the budget

19 *Page 51—Explanation against item (2), under Jails.*—The Public Accounts Committee may like to ascertain whether steps were taken to cover the excess by re-appropriation

20. *Page 56—Stationery and Printing—(3), Page 73—Interest (3).*—There would appear to be room for improvement in the budgeting under these heads.

21. *Page 57—(21).*—Here also there appears to be room for improvement in budgeting. Attention is also invited to the remarks in paragraph 63 on page 35 of the report.

22. *Page 71—Explanation 4 (1)* —It is presumed that the local Government will see that provision is correctly made in later estimates

23. *Page 72—Excise—Head 4—Explanation* —It is not clear why this special charge was not covered by re-appropriation

24. *Page 73—Interest 2 (c).*—The explanation might with advantage have been fuller.

25. *Page 78—Head 3* —It is not clear why the excess was not provided for by re-appropriation

26. *Page 79—Miscellaneous Departments, etc* —The excesses under the Major head '37—Miscellaneous Departments' indicate defective control over expenditure.

27. The detailed explanations show that there were savings under many heads due to non-utilization of the provision for leave salaries under 'Pay of Officers' and 'Pay of Establishment', indicating that greater attention is needed to the preparation of the estimates for this head

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Enclosure VII

LETTER FROM SIR FREDERIC GAUNTLETT, K B E, C I E, I C S, AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF BENGAL, FINANCE DEPARTMENT, No 447-ADMN /47-26, DATED THE 5TH MAY 1926

SUBJECT.—*Audit and Appropriation Accounts of the Government of Bengal for the year 1924-25*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transit herewith two copies of the Audit and Appropriation accounts of the Government of Bengal for the year 1924-25 prepared by the Accountant General, Bengal, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No 872-Admn /734-21, dated the 15th May 1922, as amended by my letter No 2201-Admn /734-21, dated the 21st December 1922. Copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Bengal for 1924-25 together with the Home Auditor's reports thereon will be transmitted to the local Government when copies thereof are received.

I presume that the local Government will ask the Accountant General, Bengal, to attend the meetings of the Public Accounts Committee, so as to help them with his advice and assistance in any matter that may be desired.

2. It is gratifying to note that the Bengal Government has accepted in the main the form of the report outlined in my 'Report of enquiry into the possibility of assimilating Indian Appropriation Reports to the corresponding British Reports' and accepted by the Government of India in so far as central civil expenditure is concerned.

3. I offer the following comments on the different sections of the report :—

4 *Page 1, paragraph 1.*—The statement in this paragraph is not strictly correct. Expenditure may not be incurred on a new service without a supplementary grant even though funds may be available for re-appropriation.

5. *Page 24, paragraph 20 and other paragraphs listed below.*—Attention is invited to the comments made in paragraphs 19 to 23 and those referred to below, of my letter No. T.-1058/356-Admn.-25, dated the 8th October 1925 forwarding the Audit Report for 1924-25 :—

Page 50, para. 58.—Comments in para. 7 of my letter referred to above.

Page 55, para. 70.—Comments in para. 12 of my letter referred to above.

Page 57, para. 74.—Comments in para. 7 of my letter referred to above

Page 58, para. 78.—Comments in para. 5 of my letter referred to above.

Pages 58—59, para. 80—Comments in para. 6 of my letter referred to above.

Page 59, paras. 82 to 84.—Comments in paras. 7 and 9 of my letters referred to above.

Page 62, paras. 88 to 89.—Comments in para. 9 of my letter referred to above.

Page 63, paras. 94, 96 and 98.—Comments in paras. 14, 15 and 16 of my letter referred to above.

As when the Audit report was prepared it was contemplated that the report would be presented to the Public Accounts Committee, I trust it will be so presented. If not, my comments thereon should be made available to the Public Accounts Committee when considering this Appropriation Report in so far as they are relevant to matters dealt with in this report. In future the appropriation report will be a self-contained document which will not necessitate any reference by the Public Accounts Committee to the Audit report.

6. *Page 33, paragraph 32 (b), lines 3 to 5.*—The statement that "the loan shown against item 3 (a) is not repayable in cash" is not correct. The loan is not compulsorily repayable within any prescribed period—*vide* Devolution Rule 24—but is repayable if the local Government so desire.

7. *Page 47, paragraph 55 (5).*—This pooling scheme is explained in paragraph 76 of the report.

8. *Pages 50—51, paragraph 59.*—The general question of modifying the existing procedure relating to the issue of orders on the Bank for payments on Government account is under consideration.

9. *Page 52, paragraph 63 and other places as shown below.*—With reference to the Accountant General's remark, in lines 3 and 4 of this paragraph and in the others listed below, that the increase of the grant by re-appropriation was not justified, I have issued the following instruction to the Accountant General, Bengal, for guidance in commenting on re-appropriations, which may interest the local Government and the Public Accounts Committee :—

Page 54, paragraph 69.

Page 55, paragraph 72 (a) and (b).

Page 60, paragraph 86 (a).

Page 61, paragraph 86 (e).

Page 61, paragraph 86 (*h*) and (*i*).
Pages 61—62, paragraph 87 (*b*), (*c*) and (*e*)
Page 62, paragraph 91 (*b*).

"When a re-appropriation is made which eventually seems to be un necessary, it is not always open to criticism The need may arise so early in the year that the progress of expenditure cannot be a safe guide for determining whether savings will be available within the existing budget provision In such cases, the date on which the re-appropriation was made is important and should be given "

10. *Page 54, paragraph 68* —In view of the explanation given under F—voted on page 95, that a portion of the excess could not be anticipated, the remark of the Accountant General in the last sentence of the paragraph requires qualification

11. *Page 55, paragraph 71* —In another province in a similar case of over-detention, expenditure on clothing and feeding was recovered from the Jailor responsible.

12. *Page 55, paragraph 72 (c)* —In considering this comment of the Accountant General, I invite attention to the specific reasons for the saving given in the explanation under B—voted on page 101 of the report I am not in a position to say how far the factors mentioned therein could have been foreseen when the budget estimates were being framed

13 *Page 56, paragraph 73 and page 60, paragraph 85* —Other instances of irregularities discovered at inspection of internal accounts have been mentioned in paragraphs 5 and 12 to 16 of the Bengal Audit report for 1924-25

14. *Page 57, paragraph 75, second line* —In view of three instances of uncovered excesses given in the explanation under C—Voted—'Pay of officers' and 'Other contingencies' in the last eight lines on page 103 of the report and under F—Voted "Allowances, honoraria, etc ," in the penultimate sentence on page 104, the words "in one case" occurring in this paragraph should preferably have stood as "in one minor head"—*vide* explanation E—Non-voted on page 104 of the report

15. *Page 57, paragraph 76* —The Central Public Accounts Committee has endorsed the view expressed by me and accepted by the Finance Department of the Government of India that a lump sum provision is undesirable in itself and should be resorted to only in really exceptional circumstances

16 *Pages 58—59, paragraph 80, last sub-paragraph and page 62, paragraph 89, last sentence* —The question of the extent of jurisdiction of Public Accounts Committees over transactions relating to Revenue and other receipts is now under consideration at the instance of the Central Public Accounts Committee.

17. *Pages 60—61, paragraph 86 (c)* —The transfer of 48,000 from this head by re-appropriation seems to indicate either inadequate knowledge of the progress of expenditure or that expenditure was incurred for which there were no funds

18 *Page 61, paragraph 86 (d)* —The transfer of 15,961 from this head by re-appropriation seems to indicate inadequate knowledge of the progress of expenditure

19. *Page 61, parhgraph 86 (f)* —This relates to "Transferred"—*vide* explanation M 2 Transferred—Voted on page 109—and should therefore come under the heading "Transferred "

20. *Page 67, paragraph 101* —I endorse the Accountant General's suggestion at the end of this paragraph.

21. *Page 70, paragraph 107.*—I invite the attention of the Public Accounts Committee to the cases mentioned in paragraphs 11, 13 and 43 of the Audit Report for 1923-24 which have been held over for consideration in conjunction with this report.

I have not yet been informed whether Government has accepted the views expressed by the Public Accounts Committee on paragraphs 19, 36 and 44 to 50 of the Audit report for 1923-24 and if so what action, if any, has been taken by the local Government to give effect to them. The Public Accounts Committee may wish to enquire into this.

22. *Page 71, paragraph 108.*—I endorse the Accountant General's views contained in this paragraph.

23. *Pages 71—74.*—It is worthy of comment that as compared with original grants there are excesses under two voted grants only out of twenty-seven, while under non-voted there are excesses under no less than sixteen heads out of thirty-one. In two cases only is the excess due to passage pay —*vide* paragraph 100 of the report.

24. *Page 76, D—Voted, page 95, K—voted and page 104, E—non-voted.* —The explanations seem to indicate defective budgeting.

25. *Page 96, M—Voted.*—The large saving of 2,55,450 under 'Pay of Establishment' seems to suggest that there was scope for improvement in budgeting under this head.

26. *Page 103, A—Non-voted.*—The Public Accounts Committee may wish to enquire why the provision for the house rent allowances granted to officers whose pay was 'non-voted' was made in the budget under "voted."

27. *Page 111, H-1—voted.*—The Public Accounts Committee may like to investigate the system of determining grants as it seems *prima facie* undesirable that the executive should be able to award grants to an amount which is over 43 per cent. in excess of the original appropriation for such grants.

28. *Page 112, I-1—Non-voted.*—It seems *prima facie*, undesirable to award grants by re-appropriation to an amount which is over 3 times as much as the original appropriation.

29. *Pages 151—153, Refunds.*—Out of twenty-five heads, there was under-estimating under seventeen. Admittedly, estimating under this head is difficult but the figures seem to indicate a tendency to under-estimate.

Enclosure VIII.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF THE UNITED PROVINCES OF AGRA AND OUDH, FINANCE DEPARTMENT, No. 611-ADMN./46-26, DATED THE 14TH JUNE 1926.

SUBJECT.—*Audit and Appropriation accounts of the Government of the United Provinces of Agra and Oudh for 1924-25.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96 D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation and Supplementary Audit Report on the accounts of the Government of the United Provinces of Agra and Oudh for 1924-25 prepared by the Accountant General, (now Director of Audit), United Provinces, for necessary action, on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit two copies of the appendix to the report for action by the Government of the United Provinces, with reference to paragraph 7 of my letter of the 15th May 1922, cited above. This appendix does not concern the Public Accounts Committee. Two copies of the

accounts of the receipts and disbursements of the Secretary of State and High Commissioner for India on account of the Government of the United Provinces of Agra and Oudh for the year 1924-25 together with two copies of the reports thereon prepared by the Auditor, India Office, are also forwarded herewith. The special attention of the local Government is invited to the reports of the Auditor.

I presume that the local Government will ask the Director of Audit to attend the meetings of the Public Accounts Committee so as to help them with his advice.

2. I offer the following comments on the report.

3. *Chapter II, pages 10—37* —In this chapter, the Accountant General has made a number of suggestions for the consideration of Government and I shall be glad to offer my advice on any point which may be referred to me by the local Government.

I invite the attention of the local Government, however, to one point which has not been touched upon by the Accountant General, *viz.*, the provision of a sub-head for the adjusting entry described as "For rounding" which appears in many places in the present Appropriation Report. From paragraph 37 of my report of an enquiry into the possibility of assimilating Indian Appropriation Reports to the corresponding British Reports it will be seen that a recommendation was made to the Government of India that there should be no such sub-head in the Appropriation accounts and in the budget estimates. This recommendation has been accepted by that Government.

4. *Pages 12 and 13, paragraphs 8 (c), (d), (h) and (i)* —The question as to whether the Legislature can legitimately exercise the functions allotted to it in these clauses is under reconsideration with the Government of India

5. *Pages 15 and 16, paragraph 9* —It is noticeable that 33 separate items of expenditure are shown against these grants-in-aid In no less than ten cases do they exceed the original grants. The methods by which these grants are calculated and the budget estimates for them prepared may repay investigation. It seems specially desirable that grants-in-aid and contributions should be governed very strictly by appropriations.

6. *Pages 17-22, paragraphs 10 42* —I trust the local Government will give me an opportunity of expressing in more detail than is possible in this letter my views on the proposals of the Accountant General in these paragraphs. One point I shall have to bring out is that the Examiner of Local Fund Accounts is not an officer under my control, so that if his check is to relieve me of my responsibility this must be made quite clear.

7. *Page 17, paragraph 11* —I suggest that the Examiner, Local Fund Accounts, [illegible] respect of the grants to [illegible] one which the Accou[illegible] to District Boards, Municipalities, etc (*vide* paragraph [illegible] of his Audit Report for 1924-25).

8. *Page 19, paragraph 23.*—In the case of these grants also, it is open to Government to attach any condition to the expenditure to be met out of them

9 *Page 23, paragraph 48.*—The questions raised in this paragraph are of considerable importance.

10 *Page 26, paragraph 55 (b)* —The accounting problem set out here is difficult and will have to be considered by me for India as a whole.

11. *Page 27, paragraph 56* —The practice in England is to record losses under separate heads of expenditure under each grant. The nomenclature of these heads is elaborate and varies considerably, possibly to meet the objection that it is difficult to define a loss. Thus, the detailed list set out in this paragraph is valuable.

12. *Page 33, paragraph 60 (1).*—While the Public Accounts Committee is entitled to know the actual expenditure against the vote of Rs. 50,000 if it so desire the utilization by the local Government of any savings in this vote, if such utilization was necessary, was within its power of re-appropriation, unless the re-appropriation was to meet expenditure on a new service.

13. *Page 36, paragraph 64.*—The attention of the Public Accounts Committee is invited to the facts brought to notice in this paragraph.

14. *Page 39, paragraph 4.*—With reference to the decision of the local Government that both gross and net grants are under the control of the Legislature, I may mention that the constitutional aspects of this question are under the consideration of the Government of India.

15. *Page 43, paragraph 13.*—It is somewhat difficult for me to say from the materials given in the report whether in the case of all the grants mentioned in this paragraph savings could have been foreseen at the time applications for additional grants were made or whether the additional grants were not for objects not contemplated in the budget. To meet a new service there must be a supplementary demand even though money may be available within the grant. The date of the application for the additional grant is also important.

16. *Pages 65-66, paragraph 51.*—The questions raised in this paragraph are under my consideration.

17. *Pages 68-87, Chapter IV.*—This Chapter is so very long that I venture to summarise it as under:—

Forecast, 1924-25.—The Estimates for 1924-25 provided for a total revenue of 12,62 lakhs and for withdrawal of 23 lakhs from the Famine Insurance Fund to meet a portion of the working expenses and interest charges on certain Irrigation works in accordance with a decision to that effect by His Excellency the Governor. On the expenditure side, the aggregate provision on revenue account was 12,62 lakhs. The estimates provided further for a loan of 1,37 lakhs from the Government of India to cover the year's outlay in India and in England on the construction of the Sarda canals, for a net recovery of 15 lakhs in respect of loans by the provincial Government, for a capital outlay of 1,55 lakhs on irrigation and other works, for a repayment of 25 lakhs to the Government of India on the Provincial Loan Account, for a net payment of 27 lakhs from the Famine Insurance Fund and for a payment of 1 lakh from the Civil Contingencies Fund. The opening balance which was taken as 1,47 lakhs was thus expected to be 1,14 lakhs at the end of the year.

Actual revenue receipts in 1924-25 compared with Forecast.—The actual transactions of the year resulted in a falling-off of 46 lakhs in the receipts on revenue account. The floods of September 1924 necessitated extensive suspensions and remissions of Land Revenue and there was a decline of 21 lakhs in the collections under this head. The anticipated increase of Excise revenue did not materialise and the actual receipts were less than the estimate by 15 lakhs. Favourable rains reduced the amount of irrigation required for the *rabi* and the *kharif* crops and there was a diminution of 21 lakhs in the Irrigation receipts mostly owing to this cause. On the other hand, there was a net improvement of 11 lakhs under the other heads.

Actual revenue expenditure in 1924-25 compared with Forecast.—The actual expenditure on revenue account also was 20 lakhs more than the Estimate. Flood damages necessitated increased expenditure on civil works and on Famine Relief to the extent of 7 and 5 lakhs respectively, and interest charges were more by 8 lakhs. There were small variations under the other heads which however balanced each other.

Actual revenue receipts and service expenditure in 1924-25 compared with 1923-24.—Compared with the actuals of 1923-24, the revenue position in 1924-25 was also worse. There was a fall in the receipts under Land

Revenue and Irrigation to the extent of 21 and 33 lakhs respectively. Educational, Civil Works and Interest charges were more by 12, 7 and 5 lakhs respectively. There were minor variations under other heads, both under *receipts and expenditure* In the aggregate, taking revenue and expenditure heads together, the worseness was 80 lakhs But, in accordance with the policy adopted by the local Government, a sum of 53 lakhs was treated as a charge against the annual Famine Assignment and the accumulated balance at the credit of the Famine Insurance Fund The worseness was thus reduced to what it was, *viz*, 27 lakhs

Transactions under Capital and Debt heads in 1924-25 compared with Forecast —Under Capital and Debt heads, the chief variations in the actuals of 1924-25 as compared with the Estimates were an additional borrowing of 12 lakhs from the Government of India to finance works of reconstruction on the canal systems at Dhanauri, Hardwar and elsewhere which were damaged by floods in September and October 1924, and a smaller expenditure of 19 lakhs on the construction of Irrigation works

Government borrowings

(1) United Provinces Development Loan Account

The opening balance of the United Provinces Development Loan account on 1st April 1924 was 1,83 lakhs In 1924-25 the following direct expenditure was met from this balance —

	(Omitting 000s)
Forest outlay	2,01
Outlay on improvements of Public Health	2,12
Outlay on Agricultural improvements	1,25
Outlay on Civil and other Provincial work	8,68
Loans to Municipalities	4,36
	18,42

The closing balance of this account on 31st March 1925 was 1,65 lakhs

(2) Advances from the Central Government.

The borrowings from the Government of India since the Reforms amounted to 1,04 lakhs to the end of *1923-24 As stated above, additional* advances of 1,37 and 12 lakhs were taken in 1924-25 raising the total amount of the borrowing to 2,53 lakhs Against this amount a sum of 1,03 lakhs was spent *in 1923-24 and a further sum* of 1,19 lakhs in 1924-25 mainly on the construction of productive canals The unspent balance of the total borrowings on 31st March 1925 stood at 31 lakhs.

Deposits with the Central Government.—The local Government gave notice of the following deposits during 1924-25 to the Government of India :—

(*a*) 35 lakhs for 3 months from 1st April 1924

(*b*) 30 lakhs for 6 months from 1st April 1924

(*c*) 25 lakhs for 1 *year from* 1st April 1924

There were, however, deficiencies of 40 lakhs in April 1924, and of 10 lakhs in May 1924 in the deposits made *The deposits* fetched an interest of Rs 2,10,192 of which Rs 95,812 was realised in 1924-25 and the balance in 1925-26.

Progressive outlay on Irrigation Works —The productive outlay which stood at 12,09 lakhs at the end of 1923-24 rose to 13,27 lakhs at the end of 1924-25, while unproductive outlay rose from 2,81 lakhs at the end of 1923-24 to 2,83 lakhs at the close of the year 1924-25.

Famine Insurance Fund.—The transactions of the Famine Insurance Fund during the year under report are detailed below:—

			Rs.
Opening Balance ...	...	...	90,46,817
Annual assignment ...	...	...	39,60,000

Receipts.

			Rs.
Interest on balances ...	...	...	5,75,518
„ „ takavi loans ...	...	...	51,867
Recoveries of Famine expenditure...			852
			1,54,58,654

Expenditure.

			Rs.
On Famine Relief ...	...	...	6,18,446
On Construction of protective Irrigation Works			1,86,064
On Surveys, etc.			4,500
On Working expenses of unproductive canals		...	7,57,027
On Interest on Capital outlay—			
Productive ...	...	34,94,031	
Unproductive ...	...	10,24,050	
			45,18,081
On Takavi loans (excess of advances over recoveries)			24,26,487
			85,21,238
Closing Balance			69,16,816
			1,54,58,654

The closing balance does not include the outstandings of takavi advances made from the Fund which amounted to 41.48 at the end of the year under review.

Commitments.—The present statutory liabilities of the local Government are as follows:—

(1) Sinking Fund charges in respect of the United Provinces Development Loan.

This loan is to be repaid in full on November 15, 1941. To this end an undertaking was given to set apart a sum of 3 lakhs annually for 5 years after which the appropriation for the Sinking Fund were to be so arranged as to secure the extinction of the loan by the end of the next 15 years.

The loan fetched 4,20 lakhs. The payments to the Sinking Fund during the five years ending 1926-27 would amount to 15 lakhs, and if the interest on investments out of these deposits were treated as an insurance against depreciation of the investments, there would remain a balance of 4,05 lakhs to pay off within the next 15 years. To wipe off this amount within the period specified, Government will have annually to invest Rs. 11,26,666 in 6 per cent. securities. This would mean an increase of 8¼ lakhs over the amount at present being appropriated towards the Sinking Fund.

(2) Provincial Advances and Loan Accounts up to 1920-21.

Under Rule 23 of the Devolution Rules the local Government have been paying to the Government of India a sum of 25 lakhs annually in addition to interest towards the repayment of the aggregate amount of the loans up to 1920-21. This annual payment will have to be continued for the next 8 years when the account will be cleared. Meanwhile there will be a progressive decline in the interest charges on this account.

(3) Advances from the Government of India.

The local Government have not yet commenced to pay off the post-Reform advances obtained from the Government of India. The position in respect of these advances is as follows :—

Year in which advance was taken	Amount (in lakhs)	Period of repayment	Rate of interest.	Amount of equated annual payment required for repayment (in thousands of rupees)
		Years.	Per cent	
1923-24	1,04	80	6	6,31
1924-25	1,49	80	5 75	8,65
1925-26	1,04 (a)	80	5¼	5,79
	96 (b)	50	5¾	5,56
1926-27	*88 (a)	80	5¼	4,91
	*52 (b)	50	5¾	3,18
				34,70

(a) For productive purposes
(b) For unproductive purposes
* Probable

It will thus be seen from sub-paragraphs (1), (2) and (3) above, that in respect of loans and advances already raised or proposed to be raised by Government, they will have to face in the immediate future additional expenditure to the extent of 43 lakhs a year and that they will be freed from their liability in respect of the Provincial Advance and Loan Account in the course of the next 8 years

In addition to these statutory liabilities, there is also the liability in respect of the Irrigation capital outlay up to 1920-21 handed over to the local Government under Rule 24 of the Devolution Rules. The amount of this liability is 12,19 lakhs The money has been spent partly on productive and partly on unproductive works, and in 80 or 50 years according as they are productive or unproductive, the works would depreciate so heavily as to require complete renewal Though, therefore, the debt is not compulsorily repayable to the Government of India, strict financial considerations dictate that arrangements should be made early in the interest of future generations, for its repayment If this were done, an equated annual payment of about 48½ lakhs for a term of 50 years and of about 46 lakhs from the 51st to the 80th year would wipe off the debt altogether At present the local Government have been paying 41½ lakhs a year on interest charges alone on this debt, so that a decision to repay the debt would involve a commitment of only an additional 7 lakhs a year

The more important of the other commitments of the local Government are (1) the permanent increase of about 6 lakhs a year in recurring expenditure, (2) the losses due to the damages caused by the floods of September and October 1924, (3) liabilities amounting to 57 lakhs at the end of 1924-25 in respect of Public Works, and (4) the estimated cost of the sanctioned scheme of reconstruction of roads and police buildings which taken together may be put at two crores. There is also the question of finding funds for the working expenses of the Sarda canals which for a time at any rate will outrun revenue from the canals

18. The amount of the Provincial contribution which has been remitted since 1924-25 is 89 lakhs and the amount still capable of remission is 1,51 lakhs At the end of 8 years, the local Government will be freed from the annual payment of 25 lakhs in repayment of the old Provincial Advance and Loan Account. These are the only factors which alleviate the financial position which otherwise would be serious

19. *Page 81, paragraph 20* —The utilization of this Fund is specially brought to the notice of the Public Accounts Committee It will be seen

that, excluding takavi loans which may be regarded as largely recoverable, the expenditure met from the Famine Insurance Fund apart from actual famine relief amounted to nearly 55 lakhs while the receipts amounted to nearly 42 lakhs. This in itself shows that the Fund is being used for purposes for which it was not intended.

20. *Pages 82-83, paragraph 21.*—It is not quite correct to say that I have referred the question to the Secretary of State as that implies that the Secretary of State can overrule the local Government. That implication is incorrect As regards the last three lines, the further accumulation may not have been essential but it was a statutory requirement. In my comments to the Secretary of State I have suggested that the correct procedure is to move for an amendment of the statutory rules, not to act contrary to their interpretation and intention.

21. *Pages 85-86, paragraphs 27 to 29.*—I may point out that the statutory liabilities of the local Government amount to 35 lakhs and 43 lakhs as against 42 lakhs and 50 lakhs respectively, mentioned by the Accountant General at the end of paragraphs 28 and 29 respectively.

22. *Page 92, paragraph 6.*—As the decision rests entirely with the local Government, the Accountant General would have exercised a wise discretion, if he had omitted this paragraph.

23. *Page 93, paragraph 7.*—I endorse the view of the Accountant General contained in this paragraph.

24. *Page 93, paragraph 10 and page 95, paragraph 16.*—The attention of the Public Accounts Committee is invited to these paragraphs.

25. *Page 94, paragraph 14.*—In endorsing the remarks of the Accountant General in this paragraph, I invite the attention of the Public Accounts Committee to the large saving under grant No. 23—Jails and Convict Settlements (page 203 of the report).

26. *Pages 100-105.*—In view of the statement in Chapter III, paragraph 4 on page 39 of the report that " the Council votes the gross expenditure and also anticipates savings and deductions " both gross and net grants should have been shown by the Accountant General in this statement.

27. *Page 108, Explanation F1.*—It is not clear why arrangements were not made to cover the excess by re-appropriation.

28. *Page 111, Head A 2, page 112, Heads C to D, page 128, Head K 3, page 133, Head E 2, page 155, Head E 4, page 157, Head A 4.*—The excess under these heads has to be specifically reported as the appropriation was reduced by Council.

29. *Page 112, Explanation F—Refunds, and page 162, Explanation H 2.*—It is not clear why steps were not taken to provide for the excess under these heads by re-appropriation when the revised estimate showed the probability of the excess.

30. *Page 114, Head K, and elsewhere.*—With reference to the reduction of the original grants by the Council, I invite attention to paragraph 16 of my letter to the local Government forwarding the Appropriation Report for 1923-24. I may mention in this connection that the Public Accounts Committee of one Government raised the important constitutional question whether the Legislative Council is competent to reduce or withdraw a grant already voted by it. This question is under the consideration of the Government of India to whom a reference has been made by that local Government.

31. *Page 120, J6, and page 123, S5 and elsewhere.*—The special attention of the local Government is invited to the desirability of following in the budget estimates the same classification as will eventually be adopted in the accounts. The most important instances of this defect are to be found

in the following cases in which in the budget estimates the pay of non-gazetted officers has been shown under 'Salaries' instead of under 'Establishment'.—

(i) Page 112—Explanation under Head C1
(ii) Page 117—Explanation under Head C1
(iii) Page 122—Explanation under Head Q2—Voted
(iv) Page 123—Explanation under Head S2—Voted.
(v) Page 130—Explanation under Head M1
(vi) Page 157—Explanation under Head A2—Voted
(vii) Page 157—Explanation under Head B1
(viii) Page 158—Explanation under Head D2—Voted
(ix) Page 158—Explanation under Head E2—Voted
(x) Page 161—Explanation under Head C2—Voted
(xi) Page 176—Explanation under Head C2—Voted
(xii) Page 199—Explanation under Head B1—Voted

Other instances are to be found in the cases listed below resulting in excesses under several heads not covered by re-appropriation, which seems to indicate that the need for re-appropriation in these cases has been often overlooked.—

Reference to page of the report	Grant No	Provision in the budget under	Expenditure booked under
(1) Pages 119 and 123	4—Education	I 6	A
(2) Page 120	Do	J 6	K
(3) Page 123	Do	S 5	S 6
(4) Page 125	5—General Administration.	C 3	C 4
(5) Page 128	Do.	J 6 (Deduct provision)	Taken as receipts in aid of Superannuation under XXXIII
(6) Pages 129 and 130	Do	L 4	M 4
(7) Page 148	8—Public Works	E	F
(8) Page 157	10—Medical	A 3	A 4
(9) Page 174	15 (a)—Forest	A 4	A 5
(10) Page 200	22—Scientific	A 5	A 2

32. *Page 121, Explanation M1 and M2*.—It is not clear why formal transfer of funds was not made.

33. *Page 128, Explanation K1*.—It is not clear why no re-appropriation was made to cover the excess.

34. *Page 139, Explanation I2*.—I invite the special attention of the Public Accounts Committee to this case.

35. *Page 157, Explanation A6*.—The Public Accounts Committee may like to ascertain why this grant has been so largely exceeded. The uncovered excess seems to indicate defective control over expenditure.

36. *Page 158, Head C*.—The Public Accounts Committee may wish to ascertain the reasons for the excess under this head and how the excess occurred.

37. *Page 160, Explanation A5 (iv)*.—The Public Accounts Committee may wish to ascertain the reasons for the non-realization of recoveries from local bodies.

38. *Page 185, Explanation B*.—The figure 7,60,000 is apparently a misprint for 7,50,000, *vide* paragraph 21, page 49, of the report.

39. *Page 203, Explanation B3*.—The excess indicates defective control over expenditure.

40. *Page 212, Explanation D3*.—It is not clear why provision for this expenditure was not made on the strength of the revised.

Enclosure IX.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF THE PUNJAB, FINANCE DEPARTMENT, NO. 475-ADMN./45-26, DATED THE 12TH MAY 1926.

SUBJECT.—*Report on the Appropriation Accounts of the Government of the Punjab for the year 1924-25.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Government of the Punjab for the year 1924-25, prepared by the Accountant General, Punjab, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action by the Government of the Punjab, with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee. Two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of the Punjab for the year 1924-25 together with two copies of the reports thereon, prepared by the Auditor, India Office, are also forwarded herewith. The special attention of the local Government is invited to the Auditor's reports.

I presume that the local Government will ask the Accountant General, Punjab, to attend the meetings of the Public Accounts Committee, so as to help them with his advice.

2. I offer the following comments on the Appropriation Report:—

3. *Page 11, paragraph 15.*—It is to be hoped that the clause "there is no certainty that this remission wll be repeated in subsequent years also" in lines 7 and 8 of this paragraph is unduly pessimistic.

4. *Page 12, paragraph 18* (*i*).—The contribution for 1926-27 has since been reduced further by 28 lakhs.

5. *Page 22, paragraph 37* (*v*).—The Director of Commercial Audit has discussed the matter with the Chief Conservator and has suggested certain changes in the form of the Profit and Loss Account.

6. *Page 41, paragraph 66.*—The constitutional aspects of this question are still under the consideration of the Government of India.

7. *Pages 44 to 47, paragraphs 73 and 74.*—The Public Accounts Committee will no doubt consider the information given in these paragraphs in respect of individual grants with reference to the detailed explanations of the savings under the respective grants.

8. *Pages 48 to 50, paragraph 75.*—I do not associate myself with the criticism of the Accountant General in so far as it relates to the following heads:—

Excise (Transferred) Voted—District Executive Establishment.—The supplementary grant was sanctioned by the Council in two instalments in August and November 1924 for specific purposes and the actual expenditure at the end of the year was in excess of the original grant.

Education (Transferred), Voted, C—Primary.—This grant had been increased by 5 lakhs in April 1924 by transfer from the head—60 Civil Works. The expenditure at the end of the year was also in excess of the original grant.

Education, E—General, Loss by Exchange.—The saving was an inevitable corollary to that under Expenditure in England.

Stationery and Printing, Government Presses.—Though the actual expenditure at the end of the year was less than the original grant, additions had been made to this grant by the Legislature in April, May and August 1924 for specific purposes. Further, the net result of the modifications made by Government was to reduce the grant

Civil Works (Transferred)—Non-voted—Loss by Exchange.—The saving was a necessary corollary to that under Expenditure in England.

9. *Page 56, Item 7 and page 112, Explanation A* (ii).—Late receipt of debits is not an adequate excuse. If there were proper control, these liabilities would be known and due provision would be made to meet them.

10. *Page 56, Item VI*.—This raises the question whether the rules require a report to the Legislative Council if a specific appropriation, which has been reduced by the Council but restored by the Governor, is exceeded.

11. *Page 79, Explanations L and M*.—It is not clear why no provision was made for English Expenditure and Depot Charges

12. *Page 96, Explanations G and L*.—It is desirable that an early decision should be arrived at on this point

13. *Page 96, Explanation H*.—The explanation given raises the question whether it is desirable to make budget provision until detailed estimates have been prepared and sanctioned

14. *Page 106, Explanation C*.—The Public Accounts Committee may investigate with profit the question raised by the Accountant General in the last sentence of this note.

15. *Page 107, Explanation F* (i).—It is not clear why the Council was asked to vote a supplementary grant when a provision was made under the Governor's certificate.

16 *Page 107, Explanation F* (ii).—It is not clear why the amount certified by the Governor on 15th November 1924 was not distributed earlier.

17. *Page 107, Explanation—G (N B)*.—The Public Accounts Committee will no doubt wish to urge the desirability of an early settlement of this important question.

18. *Page 114, Footnote (a)*.—The Public Accounts Committee may desire to investigate the circumstances in which the additional grant sanctioned by the Council for one purpose was diverted to another

19. *Page 119, Explanation J*.—It is not clear why no provision was made in the budget for recovery of amounts due in respect of previous years.

20. *Pages 127—128, Explanation C*.—The Public Accounts Committee will no doubt wish to ascertain whether measures have been taken to remedy the defects in procedure in the office of the Head of the Department referred to.

21 *Page 128, Explanation F*.—The omission to reappropriate the necessary funds may repay investigation

22. *Page 129, Explanation L*.—The supplementary grant of 10,250 having been sanctioned by the Council in November session, it is not clear why steps were not taken to place the amount at the disposal of the Inspecting Officer earlier.

23. *Page 131, Q—Loss by Exchange*.—The provision made by reappropriation under this head was out of proportion to that under Expenditure in England.

24. *Page 147, Explanation* (vi), (1).—The word "practice" may be substituted for "fraction" in line 3 of the explanation.

25. *Page 167, Explanation P*.—The explanation for the saving gives rise to the question whether it is desirable to provide in the original budget for a scheme which is not fully matured The willingness of the Council to provide funds for such a scheme could be ascertained by the submission of a token grant and the necessary funds obtained later by a supplementary grant when the scheme was ready to be carried out

26. *Page 214, Explanation C*.—It is not clear why provision was not made by re-appropriation for the additional expenditure of 7,451.

27. *Page 215, Explanation F.*—It is not clear why a transfer of grant from voted to non-voted was not made to provide for the pay of the officer.

28. *Page 220, Explanation I.*—In view of the explanation given against this head on page 223 of the report, it is not clear why the grant was reduced on 26th March 1925.

29. *Page 222, Explanation H* (ii).—It is not clear why no provision by reappropriation was made to cover the pay of the Medical officer of Health, Simla.

30. *Page 2[illegible]7, Explanation G.*—The explanation suggests lack of foresight on the part of the local Government.

31. *Page 2[illegible], Explanation D.*—It is not clear why the provision under "voted" was not transferred to "non-voted".

32. *Page 2[illegible], Explanation D.*—An addition of [illegible] to the grant on 26th March 1925 gives the impression that Government was not aware of the progress of expenditure under this head.

Enclosure X.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF BURMA, FINANCE AND REVENUE DEPARTMENT, No. 591-ADMN. 52-26, DATED THE 14TH JUNE 1926.

SUBJECT:—*Appropriation Report on the accounts of Burma for the year 1924-25.*

With reference to Rule 15 (a) of the Auditor General's rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of Burma for the year 1924-25, prepared by the Accountant General, Burma, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit herewith two copies of the Appendix to the report for action by the Burma Government with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee. Two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Burma for 1924-25, together with two copies of the reports thereon prepared by the Auditor, India Office, London, are also forwarded herewith. The special attention of the local Government is invited to the reports of the Auditor.

I presume that the local Government will ask the Accountant General, Burma, to attend the meetings of the Public Accounts Committee so as to help them with his advice.

2. *Page 3, paragraph 5.*—One of the strongest instruments of control given to the Legislature is that no grant can be exceeded without the consent of the Legislature. The diminution of the number of grants must lessen the power of this control and it is for the Public Accounts Committee to consider whether it should not recommend the Legislature to press for an increase in the number of grants. The recognition of separate grants for expenditure from Rice Control Profits is probably a temporary measure only.

Taking for example grant No. 1, it would be possible for the local Government to utilise savings on the High Court to meet additional expenditure in its own Secretariat.

3. *Page 4, paragraph 8.*—I doubt whether this question is yet ripe for consideration. The experience in other provinces leads to the belief that reconciliation of accounts is impossible unless the accounts in the account office and in departmental offices are maintained in the same detail.

4. *Page 4, paragraph 9.*—The constitutional question raised in lines 9 to 11 of this paragraph is still under the consideration of the Government of India.

5. *Page 4, paragraph 9, penultimate sentence.*—This suggestion was

May 1925, dealing with the Appropriation Report on the accounts of the Government of Burma for 1923-24

6. *Page 5, paragraph 11, third line from the bottom.*—The word "Irregularity" should have been inserted before "transferred" and reference should have been given by the Accountant General to the sub-paragraph of para 18 of the report.

7 *Pages 7 and 8, paragraph 15*—The attention of the local Government and of the Public Accounts Committee is invited to this paragraph.

It is noticeable that the number of excesses over "non-voted" grants is three times as much as that under "voted"

8 *Page 9, paragraph 18*—I invite the special attention of the Public Accounts Committee to list 'A' in this paragraph

9. *Page 11, paragraph 19, last sentence*—List "A" on page 9 of the report contains two instances of irregular reappropriation which the authorities in England had no power to sanction

I suggest that the attention of the High Commissioner be called to these

10 *Page 14, paragraph 25*—It will be noticed that closing balance of the Rice Control Profits is 3,02,63, whereas the closing balance of the Government account in which they are included is 2,79,48 Thus, if these were excluded the Government account would show a deficit balance of 23,15

11 *Pages 16-34, paragraphs 30-40, Financial position of Government*—*From the information given by the Accountant General in these paragraphs* the total "ordinary" revenue and expenditure figures of the Government of Burma in the three years ending 1924-25 may be set out as follows —

(The figures are in lakhs)

——	1922-23.	1923-24	1924 25
Total Revenue (para 32 of the report)	9,34	9,22	10,35 (*a*)
Deduct—			
(i) Interest on loans due to Rice Control Profits	*2* (*b*)	*6* (*b*)	*12* (*b*)
(ii) Net Irrigation receipt			*20* (*c*)
Total ordinary revenue	9,32	9,16	10,03
Total expenditure (para 33 of the report)	10,90	9,49	10,53
Deduct—			
(i) Expenditure incurred out of Rice Control Profits (para 33).	*96*	*47*	*47*
(ii) Expenditure on Railways taken over by Railway Board (para. 33)	*54*	+ 1,09	
Total ordinary expenditure	9,40	10,11	10,06
Excess of total ordinary expenditure over total ordinary revenue	8	95	3

(*a*) Excludes 17 being the estimated amount of cess collections due to District Funds [foot-note (*b*) on page 19 of the report]

(*b*) Items 3, 5 and interest portion of item 2 in the table in paragraph 25, page 14 of report

(*c*) Item 7 in the table in paragraph 25 of report

These figures show that the excess of expenditure over revenue in 1923-24 was considerably higher than that in 1922-23 In 1924-25 the excess was small but this was due principally to larger collections of land revenue owing to an exceptionally favourable Agricultural Season The budget estimates for 1925-26 show, however, that excluding receipts due to and expenditure to be incurred out of Rice Control Profits, an excess of "ordinary" expenditure over 'ordinary' revenue to the extent of 88 lakhs was estimated for that year. Paragraph 37 of the report shows also that in 1924-25 the 'ordinary' closing balance was a *minus* figure and as the budget estimates for 1925-26 provided an increase in 'ordinary' outgoings over 'ordinary' receipts to the extent of 88 lakhs, the position in respect of the closing balance at the end of 1925-26 would be worse. In view of these facts and

of the heavy liabilities before the Government referred to in paragraphs 35 and 37 of the report, I cannot but reiterate the view put forward in paragraph 12 of my letter of 29th May 1925 forwarding the Appropriation Report for 1923-24, that the financial position of the Government of Burma is not sound. I refrain, however, from further comment until the receipt of the orders of the Secretary of State on the proposals of the Burma Government in respect of the Rice Control Profits, as these orders must have an important bearing on the financial position.

12. *Page 41, paragraph 56.—(a) Action on the Appropriation Report for 1922-23.*—The proceedings of the third meeting of the Public Accounts Committee held on 29th September 1925 dealing with the Audit and Appropriation reports for 1922-23 have been received by me and I offer the following comments on paragraphs 4 (*a*), (*b*) and (*c*) of these proceedings :—

Paragraph 4 (a).—A reference to paragraph 12 of my letter No. 781-Admn./50-25, dated the 29th May 1925, will show that I have not been able to agree with the view put forward by the local Government as to the financial position of the province in their letter No. 68-N.-24, dated the 30th July 1924. This question is pursued in my notes on the Appropriation accounts of 1924-25, *vide* paragraph 11 *ante*. I admit that a balance sheet if it could be prepared might show the financial position of the local Government in a more favourable light but the assets are not capable of immediate realization while the current expenditure upto and including that for 1924-25 is seriously in excess of current income.

Paragraph 4 (b).—I regret that I have not been able to accept the view that the resolution of the Legislative Council concludes the matter. These profits were made over by the Secretary of State to the Burma Government to be used according to certain conditions and the enhanced powers since given to the Legislative Council have not given that body full power to make use of these profits as it pleases. At my request, the whole question has since been referred by the local Government to the Secretary of State.

Paragraph 4 (c).—The opinion that the Auditor General is in the best position to check the expenditure on the Tour expenses of high officials is incorrect. The Auditor General merely brings fact to light Executive action must be taken by executive authorities. The Public Accounts Committee can recommend those authorities to take action.

(*b*) *Action on the Appropriation Report for 1923-24.*—I have not received any intimation from the local Government as to the action taken on the Appropriation Report for 1923-24.

13. *Pages 42-47.*—A review of the table in these pages thows that difference between " net grant " and " actual expenditure " against the head " Deduct Recoveries " have been shown in the wrong column, thus 1,00,808 and 466 shown in column 11 on page 43 should have appeared in column 10 and 406 which has been shown in column 10 should have been shown in column 11. Similar mistakes have been made in this page and in pages 45 and 47 of the report.

The heading of column 10 which states that the excess requires the vote of the Legislature is also defective. All the excesses which properly should have been shown in this column do not require the vote of the Council. To take one instance the smaller recovery of 1,00,808 under A. Ordinary Revenues—Reserved (grant No. 1 on page 43) should have appeared in column 10 but this excess does not require the vote of the Legislature as the *net* actual expenditure was within the *net* voted grant shown in column 5.

The above remarks apply also *mutatis mutandis*, to the table on pages 96 to 101 of the report.

14. *Page 50, explanation A.-3.*—The throw forward of a part of the liability to next year is *prima facie* an infringement of the provisions of Article 87, Civil Account Code, Volume I, and the Accountant General should have worded the comment so as to show whether there was an irregularity or not

15. *Page 50, explanation A.-5, page 68, Head C.*—The large reductions of 1,47,240 and 1,89,218 coupled with an excess of 83,526 and 1,63,621 [illegible]

16 *Pages 50-51, explanation B -7* —It is not clear why this adjustment was not foreseen and provision made in time

17 *Page 51, explanation B -10* —The application to the Council on 23rd March 1925 for 1,08,943 indicates overestimate of probable requirements during the year

18. *Page 51, explanation B -13 and other cases listed below* —In this and in the other cases listed below application to the Council for an additional grant on 23rd March 1925 seems to indicate inadequate knowledge of the progress of expenditure

(i) Page 51, Explanation C -2

(ii) Page 52, Grant 1 (Transferred) A

19. *Page 53, explanation A* —A formal re appropriation should have been made from the savings under the minor head " B "

20. *Page 56, explanation D* —The budget provision for " Pay of officers " under this head, was 7 lakhs The saving of 1,14,000 indicates that there was scope for improvement in budgeting under this head.

21. *Page 57, State Railways, Head A* —As the application of the supplementary allotment was made in March 1925 it would appear that the amount of this allotment was not fixed with reference to the probable requirements for the year

22. *Page 58, explanation A* —The want of provision in the estimates for 1924-25, for credit on account of survey charges would appear to indicate a defect in the preparation of the estimates.

23. *Page 58, explanations B to D.*—It is not clear why provision was made in the budget estimates for 1924-25, for capital expenditure on Provincial Railways, when no provision was made for " working expenses " *vide* explanation A at bottom of page 57

24. *Page 65, explanation A* —In view of the explanation for the savings given in this note, the application to the Council in March 1925, for an additional allotment of 23,279 does not appear to have been justified. The actual expenditure was less than the original grant

25. *Page 66, explanation A*.—The provision in the budget for " pay of establishment " was 1,42,000 and that under " Allowances and Honoraria, etc.", was 57,000 and there were savings of 10,000 and 7,000 under these heads respectively or about 8 per cent in each case This indicates that there was scope for improvement in budgeting under these heads. The above comment applies also to the large saving of nearly 16 lakhs in the original provision under head E on page 66 of the report

26. *Page 66, Head C* —There is a printing error in Column 11 which should read 2,71,393 and not 27,71,393

27. *Page 68, Heads L and M* —There are new heads opened in the accounts, *vide* page 38 at foot item 2

28. *Pages 71 and 72, explanations B, F and H* —The excess indicates that grants were sanctioned without appropriations. The Public Accounts Committee may wish to investigate the measure of control exercised by the head of the department over the distribution of grants with reference to budget provision.

29. *Page 74, explanation B* —In view of the large saving in the actual expenditure as compared with the original grant, it is not clear why the Legislative Council was asked in March 1925 to sanction an additional allotment of 20,000. Could not the transfer of some hospitals to the Shan States Federation have been foreseen?

30 *Page 74, explanation C* —I presume that in future the provision for contribution to Lady Hardinge Medical College will be shown under " Medical Colleges and Schools " in the estimates

[illegible] *D* —It is noticeable that the two heads "Sub- [illegible] etc ", and " Hospitals and Dispen- [illegible] er which excesses were expected, ultimately showed [illegible] This shows that the actuals of the first five months of the year are not always a safe guide in determining, whether the original appropriation requires to be supplemented.

32. *Page 79, Public Works—Reserved, explanation A.-5.*—It is not clear why the Council was asked to sanction in March 1925, so large an additional grant of 1,68,978 when the bulk of it could not be utilised before the end of the year.

33. *Page 80, Head F.*—Accountant General should have explained the very large falling off under recoveries. The Public Accounts Committee might ascertain the cause.

34. *Page 81, explanation A.-11.*—The Public Accounts Committee may wish to investigate how this loss occurred.

35. *Page 81, explanations E and G.*—The correct page references are 130 and 131.

36. *Page 81, Public Works Rice Control Profits, Head A.-3.*—The Public Accounts Committee may like to know why no provision was made in the original budget for the work or works for which an additional allotment of 6,02,579 was sanctioned by re-appropriation.

37. *Pages 81 and 82, Public Works Rice Control Profits—Reserved and Transferred*—The original budget estimate for Public Works expenditure from the Rice Profits was 1,11,77,000. The actual expenditure was 77,07,547. The existence of such a Fund from which money can be obtained does not conduce apparently to accurate estimating.

38. *Page 81, Head A.-6.*—The Public Accounts Committee may like to know why so large a provision as thirty lakhs was made under this head when nearly one half of it could not be spent.

39. *Page 83, explanation D.*—The correct page reference is 131.

40. *Pages 85 and 86, Stationery and Printing.*—I apprehend that the Public Accounts Committee will require a much more elaborate explanation than has been given by the Accountant General of the methods of the preparation of the original budget estimates, the reasons which led to the heavy re-appropriations during the year, and why the expenditure was finally recorded in the accounts under heads other than those under which provision had been made in the original estimates or by re-appropriation.

In Grant No. 18, Stationery—Reserved on page 85 of the report the original appropriation has been increased by other competent authorities (addition of 5,07,100 as against the reduction of 4,92,500). There was an irregular re-appropriation by the Finance Department of Rs. 17,000 from Stationery and Printing—Transferred to that under Reserved to which I have called the special attention of the Public Accounts Committee in paragraph 8 *ante*.

41. *Page 85, explanation B.*—It is not clear why the excess under this head was not provided for.

42 *Page 90, explanation D.*—It is not clear why the liability for the contributions payable to certain Deputy Commissioners' Local Funds which caused the excess was not taken into account when the application was made to the Council in March 1925, for an additional allotment.

Although the supplementary grant was obtained specially to help the Tharrawady District Council it was apparently not utilised for that purpose—*vide* details. The Public Accounts Committee may wish to consider whether contributions and grants in aid should not be governed strictly by the appropriations given therefor so that those appropriations should not be exceeded.

43. *Page 114, explanation C.*—It is not clear why the excess was not provided for by an additional grant.

44. *Page 122, British Empire Exhibition, explanation A.*—It is not clear why provision of funds was not made when the officer was put on special duty.

45. *Page 122, 41—Civil Works, explanation A.*—For page 131, 130 may be substituted.

46. *Page 126, explanation A.*—It is not clear why the excess was not met by re-appropriation from Savings under the voted portion of the grant.

Enclosure XI.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B E., C I E , I C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF BIHAR AND ORISSA, FINANCE DEPARTMENT, NO 304-ADMN /K. W 50-26, DATED THE 22ND MARCH 1926.

SUBJECT.—*Appropriation Report on the accounts of the Government of Bihar and Orissa for the year 1924-25*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96-D. (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Government of Bihar and Orissa for the year 1924-25, prepared by the Accountant General, Bihar and Orissa, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No 872-Admn /734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action by the Government of Bihar and Orissa with reference to paragraph 7 of my letter of the 15th May 1922, cited above This appendix does not concern the Public Accounts Committee Copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Bihar and Orissa for 1924-25, together with the Home Auditor's reports thereon will be transmitted to the local Government when copies thereof are received

I presume the local Government will ask the Accountant General, Bihar and Orissa, to attend the meetings of the Public Accounts Committee so as to help them with his advice and assistance in any matter that may be desired.

2 I offer the following comments on the Appropriation Report.—

3 *Paragraph 6 (b)*—The title contemplated is "The Appropriation account with the report of the Auditor General thereon"

4. *Paragraph 12.*—It seems important from the point of view of efficient administration that the rules referred to in this paragraph should be issued at an early date

5 *Paragraph 18.*—The improvement in the Provincial Balances was due almost entirely to expenditure being less than the total sums allotted therefor

6. *Paragraph 37.*—In view of the Accountant General's comment that "the excess under grant No 25 '47.—Miscellaneous' indicates defective control over expenditure" and of the fact that the Public Accounts Committee has to recommend to the Legislative Council whether it shall vote a supplementary grant to cover the excess over the grant as a whole, it seems desirable to analyse the individual excesses under this grant. They occur under heads A, D and O, I, L, N and P (page 50 of the report)

A.—Cost of [illegible] is optional and ther[illegible]ro-priation But s[illegible]ok adjustment. If [illegible]en the publications were ordered that they would have to be paid for

D and O, Contributions—This expenditure also is optional and should not have been incurred in excess of appropriation.

I, L, N and P—Expenditure under these heads is usually inevitable and hard to foresee There may have been a failure to watch the progress of expenditure and to obtain a Supplementary grant but otherwise excess expenditure under these heads may be condoned

7. *Paragraph 55*—The first sentence of this paragraph should preferably have stood as follows, as for the purpose of accounting and allocation of expenditure, the Forest Department is not recognised as a Commercial Department *unless and until its accounts are maintained on a commercial* basis.

"Another department in the province in which the accounts may be maintained on a commercial basis is the Forest Department."

8. *Paragraph 56.*—This is under my consideration.

9. *Paragraph 63.*—The Public Accounts Committee's report has since been received.

10. The following detailed comments are offered on the Appropriation accounts:—

(*a*) *Page 29, 5—Land Revenue.*—The deficiency of actual expenditure as compared with the net grant was so large as to raise a presumption that *token* Supplementary votes would have been sufficient in January 1925.

(*b*) *Page 35, M—General Establishment.*—The large saving of Rs. 57,000 under "Pay of Officers" seems to suggest that there was scope for improvement in budgeting under this head.

(*c*) *Pages 38, 26—Police, H—Works.*—The Public Accounts Committee may wish to ascertain why the budget provision was so low and why the excess at the end of the year was not provided for in time.

(*d*) *Page 39, 30—Scientific Departments.*—The excess over the grant requires to be regularised by a vote of the Council.

(*e*) *Page 39, 31—Education, C—Government Special Schools.*—The Public Accounts Committee may wish to ascertain why a supplementary grant of Rs. 3,500 was obtained in January 1925 when the expenditure ultimately proved to be Rs. 9,929 less than the original appropriation.

(*f*) *Page 41, 32—Medical*—

(i) *B, Hospitals and Dispensaries.*—As the original grant was augmented by two Supplementary votes, the Public Accounts Committee may wish to enquire why it was reduced by re-appropriation resulting ultimately in an excess in actual expenditure.

(ii) *F, Chemical Examiner.*—The original grant was nearly doubled. The Public Accounts Committee may like to know the reason for this large addition.

(*g*) *Page 42, D—Bacteriological Laboratories.*—Re-appropriation from Minor head 'H—Works' should have been made to meet the excess under this head consequent on change of procedure.

(*h*) *Page 46, 41—Civil Works (Reserved) H—Stationery and Printing.*—The Public Accounts Committee may like to ascertain whether the need for such expenditure could not have been foreseen when the budget estimates were being framed.

(i) *Page 47, 41—Civil Works (Transferred) (i) Note A.*—It has been ascertained from the Accountant General that the explanations appearing under this note relate also to the heads B to L of the Grant.

(ii) *C, Education.*—As the actual expenditure was less than the original grant by over Rs. 23,000, the necessity for the Supplementary vote of Rs. 8,000 in January 1925 is not apparent. If the demand was for a "new service" a *token* vote would presumably have been sufficient.

(iii) *E, Medical.*—Here also a *token* vote would presumably have been sufficient.

(iv) *M, Repairs.*—It is not clear why the excess was not provided for.

(*j*) *Page 64, 31—Education (Non-voted) and A, Government Arts Colleges.*—It is not clear why the excess was not provided for.

(*k*) *Page 65, 32—Medical, A—Medical Establishment.*—The re-appropriation at the end of the year was apparently not justified.

Enclosure XII (*a*).

Letter from Sir Frederic Gauntlett, K.B.E., C.I.E., I.C.S., Auditor General in India, to the Secretary to the Government of Central Provinces, Finance Department, No. 383-Admn./49-26, dated the 16th April 1926.

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96 D(1) of the Government of India Act, I have the honour to

transmit herewith two copies of the Appropriation Report on the accounts of the Government of the Central Provinces for 1924-25 prepared by the Accountant General, Central [illegible]
cated in [illegible]
15th May [illegible]
21st Dec [illegible] herewith two copies of the separate appendix to the report for action by the Government of the Central Provinces, with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee. Copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of the Central Provinces for 1924-25 together with the Home Auditor's reports thereon will be transmitted to the local Government when copies thereof are received.

I presume the local Government will ask the Accountant General, Central Provinces to attend the meetings of the Public Accounts Committee so as to help them with his advice and assistance in any matter that may be desired.

2 I offer the following comments on the Appropriation Report —

3. *Paragraph 9* —The Public Accounts Committee will no doubt realise that this is not a complete statement of the assets and liabilities of the local Government, *e g.*, it omits to show as assets the value of the canals and buildings owned by Government

4 *Paragraph 27.*—The words "the budget demands" occurring in the second line of this paragraph should preferably have stood as "certain budget demands," seeing that in Bengal only certain demands and certain items of other demands were rejected by the Council

5 *Page 47, Explanation Head 4 (d)* —*(a)* It is not clear why provision was made under '22—General Administration' if the charge was debitable to '5—Land Revenue'.

(b) Page 47, Explanation, Head 5 (a).—The reference to paragraph 22 (i) *(c)* quoted therein covers only item 1—compensation to the Zamindars of *Nimar* District Item 2 of the explanation is covered by paragraph 22 (vii) on page 20 of the Report

6 *Page 50, Explanation, Heads (3) and (4).*—In view of the Accountant General's remarks, the Public Accounts Committee may like to ascertain what measure of control is exercised over these units by the Superintendent of Stamps.

7. *Page 52, Explanation Head (2) (d)* —This explanation does not appear to be adequate in view of the expenditure in 1922-23 and 1923-24. The reason for the decrease is not given

8. *Page 85, Explanation, Head (1) (c).*—The explanation that the School was closed with effect from April 1925 does not indicate why there was a saving in 1924-25.

9. *Page 89, Explanation, Head (4)* —The explanation that the addition which was made with reference to the Revised Estimates proved inadequate, indicates inadequate knowledge of progress of expenditure at the time of preparation of the Revised Estimates

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Enclosure XII *(b)*.

LETTER FROM SIR FREDERIC GAUNTLETT, K B.E., C.I.E , I.C.S , AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF CENTRAL PROVINCES, FINANCE DEPARTMENT, No. 681-ADMN./49-26, DATED THE 7TH JULY 1926.

SUBJECT.—*Home Auditor's reports for 1924-25.*

In continuation of my letter No. 383-Admn./49-26, dated the 8th/16th April 1926, I have the honour to forward herewith two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of the Central Provinces

for 1924-25, together with two copies of the reports thereon of the Auditor, India Office, London.

2. I offer the following comments on the report of the Auditor on the accounts of the High Commissioner.

3. (*a*) With reference to the observation of the Home Auditor in paragraph 2 of his report that a net excess of £286 over the grant allotted to the High Commissioner requires report to the Legislative Council, I may point out that no such report is necessary, as the voted composite grant for English expenditure (Grant No. 29) includes provision also for "Loss by Exchange" and shows a final saving of £1,077.

(*b*) The excess noticed under Irrigation (Grant No. 6) is offset by a saving of 65 in the voted subject grant as a whole. As regards the excess of £52 shown in the Audit Report under Industries—Stores (Grant No. 19) it may be mentioned that the modified grant under this head has been adopted by the Home Auditor at £270 against the original provision of £470 adopted by the Accountant General in his appropriation report and that this difference is apparently due to the fact that the surrender of £200 offered by the High Commissioner on account of fewer indents has not been taken into account in the appropriation accounts (Grant No. 19).

Enclosure XIII.

LETTER FROM SIR FREDERIC GAUNTLETT, K.B.E., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE CHIEF SECRETARY TO THE GOVERNMENT OF ASSAM, FINANCE DEPARTMENT, NO. 426-ADMN./51-26, DATED THE 27TH APRIL 1926.

SUBJECT.—*Appropriation Report on the accounts of the Government of Assam for the year 1924-25.*

With reference to Rule 15 (*a*) of the Auditor General's rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Report on the accounts of the Government of Assam for the year 1924-25, prepared by the Comptroller, Assam, for necessary action on the lines indicated in paragraphs 3 and 4 of my letter No. 872-Admn./734-21, dated the 15th May 1922, as amended by my letter No. 2201-Admn./734-21, dated the 21st December 1922. I also transmit herewith two copies of the appendix to the report for action by the Assam Government with reference to paragraph 7 of my letter of the 15th May 1922 cited above. This appendix does not concern the Public Accounts Committee. Copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Government of Assam for 1924-25 together with the Home Auditor's Reports thereon will be transmitted to the local Government when copies thereof are received.

I presume the local Government will ask the Comptroller, Assam, to attend the meetings of the Public Accounts Committee so as to help them with his advice and assistance in any matter that may be desired.

2. I offer the following comments on the Appropriation Report :—

3. *Page 1, paragraph 1.*—With reference to the declaration of the local Government that the net grants only are under the control of the legislature I quote below the orders passed by the Government of India on the recommendations of the Central Public Accounts Committee contained in their report on the accounts for 1922-23.

> "The principle which the committee desire to see enforced that both the gross and the net grants should be under the control of the Assembly has the concurrence of the Governor General in Council. He has under consideration the most convenient way of giving effect to it but owing to legal and technical difficulties, it has not been possible to take any immediate steps in the matter."